** for identification purpose only*

雲能國際
YUNNAN ENERGY INTERNATIONAL

Yunnan Energy International Co. Limited
雲能國際股份有限公司*

(Incorporated in Bermuda with limited liability)
(Hong Kong Stock Code: 1298)
(Singapore Stock Code: T43)

Annual Report 2021

Contents

CHAIRMAN'S **STATEMENT**

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of Yunnan Energy International Co. Limited (the "Company" or "Yunnan Energy"), I am pleased to present the Annual Report of the Company and its subsidiaries (collectively, the "Group" or "we" or "our") for the year ended 31 December 2021.

BUSINESS OVERVIEW

In 2021, the Group continued to carry out the Distribution Business for life science equipment and laboratory instrument, while accelerated the development of the Supply Chain Business. The impact of COVID-19 pandemic on the Distribution Business may not be overlooked. The travel restrictions across the provinces within China has increased the difficulty in promoting the Distribution Business and retaining customers. It has also increased the maintenance cost of the Distribution Business and delayed demands such as equipment update for customers. In response to the sophisticated environment under the COVID-19 pandemic and the accelerated slowdown of the macro-economy, the Group had made timely adjustment to our sales strategy, commenced operational activities with prudence, and continued to reduce operational risks by scaling down the effort in some sales regions where the contribution rate was lower, while planning to open up new sales networks in the Southwest region in China and focusing our Distribution Business to regions where our controlling shareholders had the advantage of synergy, in order to seek the increasing business potential among second-tier and third-tier cities for our Distribution Business. Meanwhile, the Group has enhanced its effort in the Supply Chain Business and rapidly built up its customer base and business scale. The professional competence of our supply chain team has been recognized by the market, creating a diversified income stream to the Group.

In 2021, the Group recorded sales revenue of HK$84.1 million, representing a growth of 37.9% as compared to HK$61.0 million in 2020, mainly due to the rapid development of the Supply Chain Business, which compensates the decreased sales revenue of the temporarily shrunk Distribution Business as a result of the pandemic, economic slow-down, adjustment of marketing strategy. The Group recorded a loss of HK$27.0 million in 2021, representing a narrowing of 56.7% as compared to the loss of HK$62.2 million in 2020. Apart from the significant growth in sales revenue, it is mainly due to growth of the gross profit margin from 2.2% last year to 3.7%. The significant impact of the adjustment in the Distribution Business resulted in the drop of 52.2% and 27.3% in selling expenses and other operational cost, respectively, and the decrease of 16.5% in administrative expenses.

MACRO ENVIRONMENT AND DEVELOPMENT PROSPECTS

In 2021, the impact of the COVID-19 pandemic on global economic development remained severe. The pandemic has been effectively controlled within China. Due to the low base effect in 2020, the growth of GDP rebounded to 8.1% in 2021. The target of economic growth in 2022 had been reduced to 5.5% in China because of the strict implementation of the "zero case policy" and the coming of high-quality development stage. Although the pandemic has not changed the longstanding and optimistic economic trend, its impact on economy and society should not be overlooked.

Looking ahead to 2022, the global economy will make its further recovery as a result of the gradual mitigation of pandemic precautionary. While geopolitical conflicts in European region have increased the uncertainty in international environment, the "Regional Comprehensive Economic Partnership (RCEP)" implemented in full force has brought a stable cooperation framework for economic development in the Asia Pacific region. The Group will continue to exercise prudence in carrying out both the Distribution Business and the Supply Chain Business and ensure the rapid growth in sales revenue through a diversified business mode in order to enhance profitability continuously. In respect of the Distribution Business, we will gradually shift our business focus to the Southwest region in China where the economic growth is higher than the entire country and where there is a synergy among our controlling shareholders, to build up a customer community and seek opportunities for business growth. Meanwhile, we will seize the historical opportunity of RCEP and its favorable impact on international trade, make full use of the professional competence of our team and the regional, industry advantage of our controlling shareholders, and accelerate the development of our Supply Chain Business in order to build a solid foundation for the rapid development of the Group in the future.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all shareholders and customers for their continuing support and trust. And I would also like to express my gratitude to our management and staff for their contribution. The Group will continue to optimize our development strategies and strive to maximize shareholders' interests.

Sincerely,

YAN Jiong
Chairman
Hong Kong, 25 March 2022

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

YAN Jiong (Chairman)
HU Xiangwei (Chief Executive Officer)
JIANG Wei
ZHAO Na
SONG Henan

Independent Non-executive Directors

SHI Fazhen
LIU Zongliu
JING Pilin

AUDIT COMMITTEE

SHI Fazhen (Chairman)
LIU Zongliu
JING Pilin

NOMINATION COMMITTEE

YAN Jiong (Chairman)
HU Xiangwei
SHI Fazhen
LIU Zongliu
JING Pilin

REMUNERATION COMMITTEE

SHI Fazhen (Chairman)
YAN Jiong
HU Xiangwei
LIU Zongliu
JING Pilin

COMPANY SECRETARY

NG King Hang

BERMUDA RESIDENT REPRESENTATIVE AND ASSISTANT SECRETARY

Ocorian Services (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10 Bermuda
Bermuda Company Registration
Number 34778

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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26 Harbour Road
Wanchai
Hong Kong

SINGAPORE SHARE TRANSFER AGENT

M & C Services Private Limited
112 Robinson Road
#05-01
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

COMPANY WEBSITE

www.yeigi.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2021, the principal activities of Yunnan Energy International Co Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are: (1) the provision of distribution and after-sales services in the PRC for different analytical instruments, including chromatographs, spectrophotometers, electronic microscopes, life science and general laboratory instruments, with specialised and customised hardware and software, to provide solutions and facilitate scientific analysis and testing (the "Distribution Business"); and (2) the trading and supply chain business on diversified industrial and consumer products (the "Supply Chain Business").

Distribution Business

The Distribution Business is mainly conducted through identifying the demands of the Group's existing and potential customers (including specification of products, price that the customers can afford, etc), sourcing the products from various suppliers and supplying the products to the customers. The Group also provides after-sales services such as testing, training and maintenance services for the products sold. There is no change in the business model of the Distribution Business during the year.

The customers of the Distribution Business mainly consist of a variety of businesses and institutions, including universities, research institutions, companies in the industrial sector and government agencies. More than 90% of the customers were users or distributors in the PRC during the year.

Over the years, the Group has been following our extensive customer base in the PRC and a vast sales network associated with the Group's PRC offices in Beijing, Shanghai and Macau to identify and discuss with the existing and potential customers on product specifications, provision of after-sale services. In the meanwhile, the Group will approach the potential customers through the tender activities and exhibition.

For the year ended 31 December 2021 ("FY2021"), the revenue from the Distribution Business decreased by HK$43.1 million or 77.5% to HK$12.5 million from HK$55.6 million for the year ended 31 December 2020 ("FY2020") due to the reasons as explained below.

For FY2021, revenue from the Distribution Business decreased significantly as compared to FY2020 as the business was affected by the continuous of novel coronavirus disease ("COVID-19"). Sales personnel had to reduce their sales activities while the customers also delayed or suspended the purchase of relevant equipment in view of the pandemic prevention work. In addition, in response to the sophisticated environment under the strict COVID-19 pandemic prevention and control mechanism accompanied by an accelerated slowdown of the macro-economy in the PRC, the Group decided to preserve working capital and reduce operational risk in terms of streamlining its sales team to reduce staff costs especially in the sales region where the contribution rate was lower.

Supply Chain Business

In 2021, the Group, through Shenzhen Yunneng International Supply Chain Limited, a wholly-owned subsidiary of the Company, continues to conduct the Supply Chain Business, primarily relating to construction materials, agricultural commodities, and medical devices, in response to market changes brought by the COVID-19 pandemic and the ratification of Regional Comprehensive Economic Partnership (RCEP) and to broaden its revenue stream. The Supply Chain Business is mainly conducted through identifying the requirements of the Group's existing and potential customers (including specification of products, price that the customers can afford, etc), the Group will then source products from various suppliers and supply the products to the customers.

The customers of the Supply Chain Business mainly consist of state-owned companies and companies in the industrial sector, including a company engaged in the production and processing of stainless steel pipes in Vietnam, a company engaged in the trading and supply of coffee beans and powder in Yunnan, and companies in hardware, rubber tyres, and other agricultural commodities.

The Group leverages on its extensive customer base established through the Distribution Business over 30 years of operation, the extensive experience and network in the international supply chain sector of its management and staff, together with the support from the controlling shareholder of the Company, Yunnan Provincial Energy Investment Group Co., Ltd. (the "YEI Group"), to identify different potential customers for its Supply Chain Business. In addition, the Group will participate in tender or quotation invitations from the existing and potential customers in both government and non-government sectors, and open tender for the provision of supply chain services.

In FY2021, the revenue from the Supply Chain Business increased by HK$66.2 million or 1,233.3% to HK$71.6 million from HK$5.4 million for FY2020.

The Group's total revenue increased by HK$23.1 million or 37.9% to HK$84.1 million for FY2021 from HK$61.0 million for FY2020, mainly attributable to the increase in revenue from sales of goods in the Supply Chain Business as the Group continues to develop the Supply Chain Business, and aims to extend our business to cover not only construction materials and medical devices, but also agricultural commodities to meet the customers' needs.

The Group's loss for FY2021 decreased by 56.7% to HK$27.0 million from HK$62.2 million in FY2020 mainly due to (i) the increase of revenue of the Supply Chain Business; (ii) the decrease in impairment losses on trade receivables; and (iii) the decrease in operating expenses.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and other Comprehensive Income

The reason for the declining financial performance of the Distribution Business from 2018 to 2019 was due to the downward trend of the global economy growth and economic uncertainties caused by ongoing United States-PRC trade argument in 2019, the Group purchased more inventories from other suppliers which are located in the Asia Pacific regions. The Group concentrated the sales activities among the Beijing, Shanghai and Guangzhou as the change of suppliers, the number of the sales offices of the Distribution Business in the PRC has been reduced as a result of reduced demand from the Group's customers and from the Group's cost control consideration, thus affecting the Group's sales and after-sales service capabilities. The downsized salesforce has inevitably led to a weaker connection with current and potential customers for the discussion of product specifications and provision of after-sales service. This ultimately led to the decrease in revenue of the Distribution Business.

The key value for the Distribution Business lies in the provision of technical services to the Group's customers, including design of system specifications, formulation of testing standard requirements against customers' budgets, installation of equipment and relevant systems, on-site after-sale services, etc. Owing to the outbreak of COVID-19 in 2020 and government restriction orders and social distancing guidelines in the PRC, it became much more difficult for the Group to conduct face-to-face services to the Group's customers, which is considered a key component of the Group's Distribution Business due to its technical nature. Sales personnel had to reduce their sales activities while the clients also delayed or suspended the purchase of relevant equipment in view of the pandemic prevention work. To preserve working capital to survive the storm, we streamlined our sales team to reduce staff costs and closed a number of sales offices of the Distribution Business in the PRC. This also contributed to the decrease in revenue of the Distribution Business.

As benefit from the Distribution Business over 30 years of operation, the extensive experience and network in the international supply chain sector of its management and staff, the financial performance of the Supply Chain Business has been improved, the revenue of the Supply Chain Business in FY2021 increased by 1,233.3% to HK$71.6 million from HK$5.4 million in FY2020.

MANAGEMENT
DISCUSSION AND ANALYSIS

Despite the changes to the Company's directors and management in recent years and the Company's new management team needed time to reconsider and review the business operation and direction of the Group, the financial performance of the Group had been improved in FY2021 as the financial result of the Supply Chain Business has provided more contribution to improve the level of revenue of the Group.

Revenue

Revenue in FY2021 increased by 37.9% to HK$84.1 million from HK$61.0 million in FY2020, mainly attributable to the higher revenue contribution from the Supply Chain Business, partly offset by the drop in revenue from the Distribution Business, as explained above.

Cost of sales

Cost of sales in FY2021 increased by 35.9% to HK$81.0 million from HK$59.6 million in FY2020. The increase was in line with the revenue growth.

Gross profit and gross profit margin

The gross profit in FY2021 increased by 127.0% to HK$3.1 million from HK$1.4 million in FY2020. The gross profit margin in FY2021 was 3.7% compared to 2.2% in FY2020. The gross profit margin increased mainly due to the increased revenue contribution from the Supply Chain Business which enjoys a higher gross profit margin in FY2021.

Other income and gains

Other income and gains in FY2021 decreased by 47.3% to HK$0.4 million from HK$0.8 million in FY2020. The decrease was mainly due to the decrease of bank interest income in FY2021.

Selling and distribution expenses

Selling and distribution expenses in FY2021 decreased by 52.2% to HK$2.0 million from HK$4.3 million in FY2020, mainly due to lower staff costs as a result of the reduction in sales personnel in the Distribution Business and cost savings in freight and agency fee as a result of decreased sales activities.

Administrative expenses

Administrative expenses in FY2021 decreased by 16.5% to HK$12.5 million from HK$14.9 million in FY2020, mainly due to the further decrease in staff costs and business trip expenses, etc. which is attributable to cost controls as well as the decrease in foreign exchange differences and depreciation of right-of-use assets.

Other expenses, net

Other expenses, net in FY2021 decreased by 27.3% to HK$21.2 million from 29.2 million in FY2020, mainly due to the absence of the cost of product warranty service in FY2021, which is partly offset by the increase of the write-off of inventories and the charges of warehouse storage and logistics service.

Finance costs

Finance costs in FY2021 decreased by 58.9% to HK$1.4 million from HK$3.3 million in FY2020, mainly due to the combined effect of repayment of loan from a shareholder at the end of FY2020 and the draw down of loan from a fellow subsidiary in the last quarter of FY2021, resulting a lower average loan principal amount during FY2021 which leads to lower loan interest.

Loss for the year

In view of the above, the Group's loss for FY2021 decreased by 56.7% to HK$27.0 million from HK$62.2 million in FY2020.

Consolidated Statement of Financial Position

Inventories

Inventories decreased by HK$15.0 million from HK$21.4 million as at 31 December 2020 to HK$6.4 million as at 31 December 2021, mainly due to the logistical efficiency on the Supply Chain Business to keep a lower level of inventories and the write-off of long-aged inventories.

Trade receivables

Trade receivables increased by HK$27.6 million from HK$36.5 million as at 31 December 2020 to HK$64.1 million as at 31 December 2021, mainly due to the increase in trade receivables of the Supply Chain Business which are less than 90 days as a result of increase in revenue.

Trade payables

Trade payables decreased by HK$4.1 million from HK$6.1 million as at 31 December 2020 to HK$2.0 million as at 31 December 2021, mainly due to the decrease in trade payables of the Supply Chain Business which are less than 60 days. The decrease in trade payables was resulted from a reduction in trade payables turnover days.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this annual report, there were no significant investments held by the Group as at 31 December 2021, nor were there other material acquisitions and disposals of subsidiaries by the Group during FY2021. Apart from those disclosed in this annual report, there was no other plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

PLEDGE ON ASSETS

The Group did not have any charges on its assets as at 31 December 2021.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any material contingent liabilities or capital commitment as at 31 December 2021.

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES

The Group's transactions are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign currency exchange risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management and the management will consider hedging against significant foreign exchange exposure should the need arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the Group's net current assets amounted to HK$187.1 million (2020: HK$210.4 million), of which the bank balances and cash were HK$103.1 million (2020: HK$115.7 million). The Group's current ratio was 3.4 (2020: 6.2).

Total loans from fellow subsidiaries as at 31 December 2021 were HK$73.6 million (2020: HK$23.8 million). All the Group's loans from fellow subsidiaries were denominated in Renminbi. The Group's gearing ratio stood at 39.1% as at 31 December 2021 (2020: 11.0%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralised financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short term and long term.

PROSPECTS

The Group will continue to focus on both the Distribution Business and Supply Chain Business, with a view to increasing its business scale and broadening the customer base, which in turn will increase revenue contribution from such businesses and generate returns for its shareholders. In this connection, the Group has formulated detailed business plans in the upcoming financial years, as further discussed below:

Distribution Business

In addition to its existing customer base in the PRC, the Group plans to make use of the well-established resources and extensive marketing network/business relationship of the YEI Group, to expand the Distribution Business in regions of the PRC, particularly in the Southwest region in China where the YEI Group has strong presence. Set out below is a summary of the key business plans:

- Given the continuous easing of COVID-19 situation in the PRC, the Group plans to pick up its sales activities in the Southwest region in China including Yunnan Province and recruit additional sales personnel and technical support team for the sales and tender activities as well as after-sales support. In January 2022, the Group has incorporated the Yunnan branch to support the growth of the Distribution Business and continue to develop the Supply Chain Business. The Group is recruiting more staffs to support this new branch. The above action plans aim to consolidate the relationships with the existing and potential customers, and capitalise market demand to expand the business activities, for example, by leveraging the YEI Group's customer base in the different sectors, including energy, salt chemical manufacturing and healthcare industries and other governmental organisations that form a part of the customer base under current Distribution Business. Although sales and after-sales activities have been inevitably affected by COVID-19, especially due to the very technical nature of the products of the Distribution Business where on-site discussion and training are often preferred, various non-face-to-face approaches (including video conferencing or remote/online training services) will also be implemented for the recovery of the business operations as negatively affected by COVID-19;

- Extension of a wider range of product and service offerings that meet the demands from the existing and potential customers in different industries, and such products may include updated version of spectrophotometer. In particular, the Group is going to approach potential customers in the business sectors that the YEI Group is operating in order to fulfill their demands and provide additional revenue stream for the Group, such as the sourcing of machinery and instruments in the petrochemical gas chromatography solution that are used in production activities of customers in the energy, salt chemical manufacturing and healthcare industries; and

- Discussion with third party suppliers in relation to the provision of distribution and after-sales services in the provinces and cities in the PRC which the Group do not currently has business presence, including the regions in the Southwest region in China that have not yet been explored by the Group in the past. Yunnan branch has been established to capitalise demand of the products of the Distribution Business by new customers.

Supply Chain Business

The Group conducts detailed review of its operations and makes adjustment to its sales strategies to explore new potential projects, enhance its revenue stream and improve its profitability from time to time. Accordingly, the Group has been actively developing the Supply Chain Business in both domestic and overseas markets. The Group also strives to capture potential opportunities for the Supply Chain Business through its management team's extensive experience (particularly relating to international trade and energy projects) and business network. Set out below is a summary of the key business plans:

- In June 2021, the Group entered into a one-year framework supply agreement with an independent Vietnam customer (which is principally engaged in the production and processing of stainless steel pipes), pursuant to which the Group will supply construction related materials, including stainless steel pipes, to its companies and customers in Vietnam. The products manufactured by its companies are sold to over 60 countries worldwide, such as the United States, Canada, India, Mexico, Sri Lanka, Brazil, the Philippines, Germany and the Netherlands. The Group is able to secure a stable supply a wide range of high quality stainless steel pipes in the PRC, with its seasoned management team's business network. On the basis of the above, the Group is going to maintain a long-term cooperative relationship with the customer through the renewal of the framework supply agreement to fully guarantee the sustainability of the Supply Chain Business. Meanwhile, the Group actively sources customers to further develop the Supply Chain Business. The Group has entered into sales agreement on supply of construction steel in the first quarter of 2022.

- The Group has been participating in various tender activities from time to time, in order to further extend the Supply Chain Business in different industrial sectors and regions. In September 2021, the Group has successfully won the open tender for the supply contract of 50,000 tons of steam coal for Company A. Company A is a subsidiary of Company B which is one of the five largest power generation groups in PRC, and has a good cooperative relationship with the YEI Group in the energy field. Because the Ministry of Commerce of PRC implements a quota management system for imported coal, the energy central enterprises of Company B has huge demand for coal imports every year. Given the solid foundation of cooperation between the YEI Group and Company B in the past and the Group and its management team's sufficiently excellent qualifications, capital and resources in the international Supply Chain Business, the Group passed the qualification review and subsequently won the abovementioned open tender. Due to the market price of the steam coal has a significantly increase since the last quarter of 2021, the open tender for the supply contract of 50,000 tons was suspended. Except for the steam coal business, the Group also starts to expand the trade of coking coal in the PRC in 2021 to expand the Supply Chain Business.

- In addition to the energy-related Supply Chain Business which is mentioned above, as the Supply Chain Business has gradually garnered its recognition among customers, the Group has made full use of the influence and resource advantage of our controlling shareholders in the Southwest region in China and attempted to seek diligently the potential opportunity for the Supply Chain Business in the three advantageous industries of "green energy, green food, healthy life destination" in Yunnan Province, expanding our customer base for the Supply Chain Business with regional features, in order to find a diversified Supply Chain Business with sustainable prospects for the Group. Based on the significant growth in the fame of the Group's Supply Chain Business in the regions, the Group was appointed by Group C as their supply chain service provider for their coffee power and coffee beans in December 2021. As a significant export trader for coffee powder and coffee bean in the Southwest region in China, their annual trade volume of coffee raw materials is approximately RMB600 million. Upon the appointment, the Group has made use of the advantage of our controlling shareholders in the traditional coffee raw materials industry in their respective regions to find immediately for our customers the suppliers who can meet the purchase requirements, and has made use of the advantage in warehousing and logistics accumulated from the previous stainless steel business to find for our customers professional warehouses in which 60 tons of the aforementioned commodities can be appropriately stored in the Yangtze River Delta region. Through our business team's extensive experience in international commodity trade, the Group is able to complete purchases when the current price is close to the lowest point in the futures market for our customers at a trading price approximately 10% lower than the price one month before and after, which reduces significantly the cost of purchase for our customers. The Group is also processing the trade of 60 tones of the coffee power and coffee beans in the first quarter of 2022.

- The Group's Supply Chain Business is currently handled by a seasoned management team of 6 persons of the Group, led by Mr. Ma Can, who is graduated from Yunnan University with a master's degree in business administration. He has the qualifications of customs broker and inspector. He has worked in Cambodia, Laos and other Southeast Asian countries and foreign economic and trade enterprises in Yunnan Province for several years. He has more than 20 years of rich international experience and trade experience and overseas work background, and long been engaged in the import and export trade of coke, coal, machinery and equipment, fertilizers, pesticides, medical and health products. The other management team has an average 4 years of experience in the international supply chain industry. Leveraging on the YEI Group's business network in overseas markets, the Group plans to set up teams for further development of international Supply Chain Business, not limit to construction materials, medical devices and energy. Under the management organization of Mr. Ma, the Group has formed the seasoned management team with efficient customs declaration advantages and broad trade category advantages, we can still carry out Supply Chain Business despite that the international trade is severely affected by the COVID-19, and win new tenders and the accelerate promotion of potential steel and other trading businesses. The Group continues to expand its business team in response to the increasing level of business activities and market demand in the next 12 months.

The YEI Group is a provincial state-owned enterprise with important influence in the fields of green energy, modern logistics, digital economy and other industries in Yunnan Province and Southwest region in China. The YEI Group has close cooperative relations with a number of local state-owned enterprises in the regions and central enterprises in the industry. Benefited from the strong state-owned enterprise background, industry background, regional influence and financial strength of the YEI Group, the Group has certain competitive advantages in the operation of international supply chain business, such as its strong ability to source stable supply of construction materials, stainless steel and steam coal. The Group will strive to locate and maintain customers with overseas energy import and export needs through the YEI Group and our seasoned management team, such as Company A as discussed above.

The YEI Group actively integrates into the "One Belt One Road" construction of serving the country, builds a "radiation center facing South Asia and Southeast Asia" in Southwest region in China, and makes full use of its geographical advantages. There are more than 40 overseas organizations, including overseas subsidiaries and 12 commercial representative offices undertaking and managing on behalf of Yunnan Province, in Hong Kong, the United States, France, Singapore, Vietnam, Laos, and Myanmar. The Group will make full use of the above-mentioned overseas network advantages of the YEI Group to create a global supply chain network.

With the help of the YEI Group's commercial information and local contacts in various regions, we have the access to the commodity price and quality information to match the qualified suppliers with the potential customers. Taking the Vietnam stainless steel project (which is currently carried out by the Group) as an example, with the help of the commercial information gathered by the YEI Group's commercial representative office in Vietnam, the Group's seasoned management team was able to obtain the trade demand of domestic stainless steel products in Vietnam and continue to develop the stainless steel's business. In addition, in respect of the steam coal and coking coal projects, the Group contacted steam coal with competitive prices through the commercial representative office of the YEI Group in the United States and the local contracts, the Group won the bid and is going to extend the coal business.

With the continuous development of the business, the Group will, leveraging on the YEI Group's existing overseas network, set up a dedicated business team, conduct in-depth exploration of business resources, and enhance its connections with potential customers and supplies in each region. The maintenance of good relationships with suppliers further enhances the competitive advantage and sustainability of the Supply Chain Business.

Given an improving financial performance, with the formulated business plans, the Group expects to leverage on the above-mentioned advantages and resources, strive to diminish the current unfavorable situation, improve operating efficiency, and further create value for shareholders.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2021, there were 17 (2020: 27) employees in the Group. The total staff cost of the Group amounted to approximately HK$5.7 million for the year ended 31 December 2021. Staff remuneration packages are determined after considering the market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

BOARD OF
DIRECTORS

BOARD OF DIRECTORS

Executive Directors

MR. YAN JIONG (顏炯) ("Mr. Yan"), aged 49, has been appointed as the Deputy Director of the Department of Foreign Economic Affairs (外經處) of Yunnan Provincial Department of Commerce (雲南省商務廳) from January 2007 to January 2016. Mr. Yan has over 20 years of experience in the international trading business. Mr. Yan joined the Yunnan Provincial Energy Investment Group Co., Ltd. group (the "YEI Group") in January 2016 and served as the general manager of the international cooperation center of the YEI Group from since 2017. Mr. Yan is currently the chairman of Yunnan Energy Investment (HK) Co. Limited as well as the director of Baodi International Investment Company Limited. Mr. Yan obtained a Bachelor degree in Economics specialising in international trade in Yunnan University in July 1995, and a Master degree in Business Administration in Kingston University in November 2003.

MR. HU XIANGWEI (胡香偉) ("Mr. Hu"), aged 51, has over 20 years of working experience in the energy development industry. Mr. Hu joined the Yunnan Provincial Energy Investment Group Co., Ltd. group (the "YEI Group") in January 2017 and served as the general manager of mixed enterprise management service center (混合制企業管理服務中心). Mr. Hu worked as the general manager and the deputy secretary of the party committee from August 2017 to April 2018 and worked as chairman of the board and the secretary of the party committee from April 2018 to April 2019 of Yunnan Energy Investment Infrastructure Investment Development and Construction Company Limited* (雲南能投基礎設施投資開發建設有限公司). Mr. Hu worked as the general manager of YEIG International Engineering Co., Ltd* (雲南能投國際工程有限公司) from April 2019 to June 2021. Mr. Hu is currently the general manager of Yunnan Energy Investment (HK) Co. Limited as well as the director of Shenzhen Yunneng International Supply Chain Limited (深圳雲能國際供應鏈有限公司) and Baodi International Investment Company Limited. Prior to joining the YEI Group, Mr. Hu worked in Sino Hydro Bureau 14 Co., Ltd.* (中國水利水電第十四工程局) managing different projects for over 20 years. Mr. Hu obtained a Bachelor degree specializing in resources development engineering and mining engineering (資源開發工程系採礦工程專業) at Kunming Institute of Technology* (昆明工學院) (now known as Kunming University of Science and Technology* (昆明理工大學)) in July 1993, and a Master degree of engineering specializing in hydraulic engineering at Sichuan University in June 2009.

MR. JIANG WEI (姜衛) ("Mr. Jiang"), aged 49, has been appointed as an executive Director on 11 September 2018. He graduated from international trade profession of Yunnan University in 1993. In 2005, Mr. Jiang also graduated from law profession of Yunnan Minzu University. In 2014, Mr. Jiang obtained a master's degree in industrial engineering from North China Electric Power University. Since 2005, Mr. Jiang has worked in various entities of the YEI Group, including: Weixin Yuntou Yuedian Zhaixi Energy Co., Ltd., 雲能投(北京)國際諮詢有限公司, Yunnan Energy Investment (HK) Co. Limited and 駐澳門商務代表處(辦事處). Mr. Jiang is currently the vice president of Yunnan Energy Investment (HK) Co. Limited as well as the executive director of 雲能投(北京)國際諮詢有限公司, director of Shenzhen Yunneng International Supply Chain Limited (深圳雲能國際供應鏈有限公司) and Baodi International Investment Company Limited.

MS. ZHAO NA (趙娜) ("Ms. Zhao"), aged 46, has been appointed as an executive Director and financial controller on 11 September 2018 and 29 November 2019 respectively. She graduated with a bachelor's degree in auditing from Nanjing Audit University in 1999. Ms. Zhao was a qualified person after passing the accounting qualification examination in the PRC in 2001. Ms. Zhao was employed in the financial management department of various entities of the YEI Group since 2013, including: 雲南省電力投資有限公司, 雲南投資滇中配售電有限公司, 雲南省配售電有限公司 and Yunnan Energy Investment (HK) Co. Limited. Ms. Zhao is currently the financial controller at Yunnan Energy Investment (HK) Co. Limited, and the director and financial controller of 雲能國際(新加坡)投資有限公司, respectively.

MR. SONG HENAN (宋赫男) ("Mr. Song"), aged 30, has been appointed the Head of Business Development Department of Yunnan Energy International Co. Limited from May 2019. Mr. Song joined the YEI Group in August 2017 and served as the Senior Investment Manager of the Investment Department of Yunnan Energy Investment (HK) Co. Limited from 2019. Mr. Song obtained a Bachelor degree in Economics in University of Cambridge in June 2015, and a Master degree in Finance in City University of Hong Kong in June 2017.

Independent non-executive Directors

MR. SHI FAZHEN (施法振) ("Mr. Shi"), aged 58, has been appointed as an independent non-executive Director on 30 November 2018. He is also the chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. He has over 17 years of experience in the field of audit and accounting. Since 2016, he has acted as the president at Shenzhen Zhonglun Accountants Firm (General Partnership)* (深圳中倫會計師事務所(普通合夥)). From 2014 to 2016, he served as the vice president at Shenzhen Chengxin Accountants Firm (Special General Partnership)* (深圳誠信會計師事務所(特殊普通合夥)). From 2001 to 2014, Mr. Shi held various positions at Shenzhen Mahong Accountants Firm* (深圳馬洪會計師事務所) and Shenzhen Licheng Accountants Firm* (深圳力誠會計師事務所). Prior to that, he has worked at Hubei Xiangfan Huipu Industrial Co., Ltd.* (湖北省襄樊市惠普實業有限公司) for over 17 years. Mr. Shi graduated from Zhongnan University of Finance and Economic in December 1990, majoring in industrial economic management. In 2001, he obtained his qualification as a certified public accountant in the People's Republic of China ("PRC"). In 2007, he obtained the qualification as an intermediate economist. Mr. Shi takes an active role in community services and currently serves as the supervisor and vice president at the Shenzhen Transparent and Harmonious Community Promotion Centre*(深圳市透明和諧社區促進中心). He is also a supervisor of the 1st Owner Committee of the Science and Technology Park (Zone 48) of Nanshan District, Shenzhen, PRC.

MR. LIU ZONGLIU (劉宗柳) ("Mr. Liu"), aged 67, has been appointed as an independent non-executive Director on 29 November 2019. He received a Bachelor degree in Financial Accounting from Jiangxi University of Finance and Economics in 1983, a Master degree in Accounting from Xiamen University in 1991 and a Ph.D. degree in accounting from Xiamen University in 1997. Mr. Liu is a senior accountant in the PRC and has served as the president of Xiamen Zhongzhi Accounting Association (廈門市中直會計學會) from March 2002 to March 2017. In 2017, he was elected as the president of Xiamen Accounting Association (廈門市會計學會). Mr. Liu was a visiting professor of Jimei University and he currently serves as the dissertation supervisor for the Master of Professional Accounting (MPAcc) Programme in Xiamen University. For the period from July 2004 to October 2007, Mr. Liu served as the chairman of the board of directors of Xiamen Wufu Printing Co., Ltd. (廈門五福印務有限公司) and from 2005 to 2007, Mr. Liu was also the chairman of the board of directors of Xiamen Xinye Group Co., Ltd. (廈門鑫葉集團有限公司). Mr. Liu has served as an independent non-executive director of various companies which are listed in the PRC. From August 2011 to November 2017, he worked as independent non-executive director of Xiamen XGMA Machinery Co., Ltd. (廈門廈工機械股份有限公司) (Stock Code: 600815), a company listed on Shanghai Stock Exchange. Since December 2016, he has been working as independent non-executive director of Shantou Wanshun Packaging Materials Co., Ltd. (汕頭萬順新材集團股份有限公司) (Stock Code: 300057), a company listed on Shenzhen Stock Exchange. Since February 2015, he has been working as an independent non-executive director of Chengtun Mining Group Co., Ltd. (盛屯礦業集團股份有限公司) (Stock Code: 600711), a company listed on Shanghai Stock Exchange. Since December 2017, he has been working as an independent non-executive director of Clenergy (Xiamen) Technology Pty., Ltd. (清源科技(廈門)股份有限公司) (Stock Code: 603628), a company listed on Shanghai Stock Exchange.

BOARD OF **DIRECTORS**

MS. JING PILIN (景丕林) ("Ms. Jing"), aged 71, has been appointed as an independent non-executive Director on 30 November 2018. She is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. She was accredited as a senior economist by China Construction Bank Corporation in December 1993. She is currently a part-time professor as well as a tutor for the post-graduate programs at the Zhongnan University of Economics and Law. Ms. Jing has over 35 years of experience in the field of investment and finance. From June 2005 to December 2013, she served as the general manager of China Investment Consultancy Company* (中國投資咨詢公司), she was also the general manager of the investment banking division and agency division at China Jianyiu Investment Limited as well as an independent director of UBS Securities Co., Limited. From 1995 to 2004, she held various leading positions at the head office of the Construction Bank, primarily responsible for the investment management of large and medium-sized projects. She was also in charge of the reorganisation of Huaxia Securities and Beijing Securities at China Jianyiu Investment Limited. Ms. Jing obtained her bachelor's degree in infrastructure-economics from the Hubei University of Economics (now known as Zhongnan University of Economics and Law) in 1983. In 2005, she won the National Financial System Labor Day Medal.

MR. NG KING HANG (吳勁衡) ("Mr. Ng"), aged 39, is company secretary of the Group. He is currently responsible for the overall financial management and company secretaries matters of the Group. He is a registered member of the Hong Kong Institute of Certified Public Accountants. Mr. Ng obtained a master's degree in accountancy from The Hong Kong Polytechnic University in 2013 and a bachelor's degree in business administration (honours) (major in accounting) from The Open University of Hong Kong in 2007. Mr. Ng is currently the company secretary of Yunnan Energy Investment (HK) Co. Limited. He was the financial controller and company secretary of Megalogic Technology Holdings Limited (Stock Code: 8242) from June 2015 to June 2018 and from April 2016 to September 2017, respectively. He served as an assistant manager of HLM CPA Limited from July 2010 to July 2015.

CORPORATE GOVERNANCE REPORT

Introduction

The Board is committed to maintaining high standards of corporate governance to advance its mission to create value for the Company's shareholders. This report sets out the corporate governance practices that are in place during the year ended 31 December 2021 with reference to the principles and guidelines of the Corporate Governance Code (the "Hong Kong Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "SEHK"), as well as any deviation from the code provisions of the Hong Kong Code together with an explanation for such deviation. Save as disclosed in the relevant paragraphs of this Corporate Governance Report, the Company had complied with the code provisions of the Hong Kong Code during the Year.

Board Matters

Role and Responsibilities of the Board

The Board effectively leads the Company, working together with the Company's senior management (the "Management") to achieve success for the Company and its subsidiaries (collectively, the "Group"). Management remains accountable to the Board.

In addition to its statutory duties, the Board's principal functions are to:

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

(c) review management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Board approval is required for transactions or matters such as major investments, corporate restructuring, mergers and acquisitions, material acquisitions or disposal of assets, the release of the Group's financial results announcements, interested person transactions of a material nature and declaration of dividends.

Board Composition

As at the date of this report, the Board has eight Directors, comprising five executive Directors and three independent non-executive Directors.

Executive Directors	Mr. Yan Jiong (Chairman) Mr. Hu Xiangwei (Chief Executive Officer) Mr. Jiang Wei Ms. Zhao Na Mr. Song Henan
Independent non-executive Directors	Mr. Shi Fazhen Mr. Liu Zongliu Ms. Jing Pilin

On 12 April 2021, Mr. He Junyu (the "Mr. He") had resigned as an executive Director due to Mr. He's intention to focus on his own business development. On 28 July 2021, Mr. Zhang Jing (the "Mr. Zhang") had resigned as an executive Director and the Chief Executive Officer of the Company due to Mr. Zhang's intention to focus on his own business development. In place of the Resigning Director, Mr. Hu Xiangwei has been appointed as an executive Director and the chief executive officer of the Company and Mr. Song Henan has been appointed as an executive Director.

The executive Directors and independent non-executive Directors have been appointed for a term of three years and one year respectively, subject to retirement by rotation at annual general meeting and being eligible, to offer themselves for re-election.

Pursuant to bye-law 104 of the Bye-Laws of the Company, Mr. Shi Fazhen will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. Pursuant to bye-law 107(B) of the Bye-Laws of the Company, Mr. Hu Xiangwei and Mr. Song Henan, who were appointed during the year, will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. On 25 March 2022, the Board, with the recommendation of the Nomination Committee, proposed that all the retiring Directors stand for re- election at the forthcoming AGM.

Information about the Board Diversity Policy and the review of the Board composition, nomination of retiring Directors as well as the independence assessment during the year ended 31 December 2021 is set out in the below section headed "Nomination Committee" of this Corporate Governance Report.

The criterion for independence is based on the factors set out in the Listing Rules. The Board considers an independent Director as one who, inter alia, has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to ensuring the best interests of the Company. The nomination committee of the Board (the "NC") reviews the independence of each Director annually and applies the Listing Rules' criterion on who qualifies as an independent Director in its review. Notwithstanding the tenure of service, the Board considers that Mr. Shi, Mr. Liu and Ms. Jing continue to be independent and professional as set out in Rule 3.13 of the Listing Rules as they have each continued to demonstrate independent judgment in the discharge of their responsibilities as a Director, and they are not connected with any of the Directors, the chief executive or substantial shareholder of the Company.

The composition of the Board complies with the requirements in the Listing Rules that at least three Directors be independent and non-executive (representing at least one-third of the Board) and that at least one of whom must possess appropriate professional qualifications in accounting or related financial management expertise. Furthermore, the Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors to be independent as at the date of this annual report.

The NC is of the view that the current board size and composition is appropriate, taking into account the nature and scope of the business and operations of the Group. Biographical details of the Directors are set out on pages 12 to 14 of this Annual Report. Save as disclosed in this annual report, and to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Particulars of interests of Directors who held office at the end of the year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Report of the Directors on pages 33 to 44 of this Annual Report.

The Board has formed three committees namely, Audit Committee (the "AC"), Remuneration Committee (the "RC") and the NC and has delegated different responsibilities to these committees as set out in their respective terms of reference published on the websites of HKSE, SGX-ST and the Company, to facilitate the discharge of its responsibilities efficiently and effectively.

The Board and sub-committees of the Board (namely, the AC, the RC and the NC, collectively, the "Board Committees") meet regularly during the Year. Ad hoc meetings and/or discussions (including via tele conferencing) are convened when circumstances require. The Company's bye-laws (the "ByeLaws") provide for participation at meetings via telephone and other electronic means. Details of the Directors' attendance at meetings of the Board and Board committee in the Year are disclosed as follows:

	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2021				
	Board meeting(s)	**AC meeting(s)**	**NC meeting(s)**	**RC meeting(s)**	**Annual General Meeting**
Executive Directors					
Mr. Yan Jiong	17/17	–	3/3	2/2	1/1
Mr. Hu Xiangwei(1)	9/9	–	1/1	1/1	–
Mr. Jiang Wei	17/17	–	–	–	1/1
Ms. Zhao Na	17/17	–	–	–	1/1
Mr. Song Henan(1)	9/9	–	–	–	–
Mr. He Junyu (2)	4/4	–	–	–	1/1
Mr. Zhang Jing (3)	8/8	–	2/2	1/1	1/1
Independent non-executive Directors					
Mr. Shi Fazhen	17/17	4/4	3/3	2/2	1/1
Ms. Jing Pilin	17/17	4/4	3/3	2/2	1/1
Mr. Liu Zongliu(1)	17/17	4/4	3/3	2/2	1/1

Notes:

(1) Appointed on 28 July 2021.

(2) Resigned on 12 April 2021.

(3) Resigned on 28 July 2021.

Pursuant to code provision A.2.7 of the Hong Kong Code, the chairman should at least annually hold meetings with the independent non-executive Directors without the presence of the executive Directors. During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of the executive Directors. The independent non-executive Directors may call for meetings from time to time and provide feedback to the Chairman to express their views. The Company is of the view that there is efficient communication between the Chairman and the independent non-executive Directors.

Induction and Continuing Development of Directors

Newly appointed Directors will be briefed on the history and business operations and corporate governance practices of the Group.

As part of the programme to enable Directors to be familiar with the Group's operations and activities, the Group would arrange for Directors to visit key sites of operations from time to time, and ongoing training helps Directors keep abreast of their responsibilities as a Director of the Company and of the business activities and development of the Group.

Under code provision A.6.5 of the Hong Kong Code, Directors are expected to participate in appropriate continuous professional development to update and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year, the Company's legal advisers conducted internally facilitated briefings for the Directors and related reading materials on relevant topics were issued to Directors. The Company Secretary had also provided annual updates and briefing notes to all Directors on the Bye-laws and regulations. All Directors are also encouraged to attend relevant training courses at the Company's expense.

According to the training records provided by the Directors, the training received by each of the Directors during the year is summarized as follows:

Name of Directors	Attending briefing conducted by legal advisers and Company Secretary on regulations, corporate governance and update on Listing Rules	Attending seminars/ workshops regarding financial, management, business skills and/or director's duties and responsibilities	Reading newspapers, journals and other relevant materials relating to the economy, environmental protection, director's profession, etc.
Executive Directors			
Mr. Yan Jiong	✓	✓	✓
Mr. Hu Xiangwei(1)	✓	✓	✓
Mr. Jiang Wei	✓	✓	✓
Ms. Zhao Na	✓	✓	✓
Mr. Song Henan(1)	✓	✓	✓
Mr. He Junyu(2)	✓	✓	✓
Mr. Zhang Jing(3)	✓	✓	✓
Independent non-executive Directors			
Mr. Shi Fazhen	✓	✓	✓
Ms. Jing Pilin	✓	✓	✓
Mr. Liu Zongliu(1)	✓	✓	✓

Notes:

(1) Appointed on 28 July 2021.

(2) Resigned on 12 April 2021.

(3) Resigned on 28 July 2021.

Practices and Conduct of Meetings

Notice of regular Board meetings are served to all Directors at least 14 days before the meetings to give them an opportunity to attend. For other Board meetings, reasonable notice has been given to all Directors.

The Directors will receive details of agenda and minutes of Board/Board Committees' meetings in advance of and after each Board/Committees' meeting respectively.

The Board is provided with complete, adequate and timely information of the Group's performance and is informed of all material events and transactions as and when they occurred. The Directors have separate and independent access to the Company's senior management and the Company Secretary at all times. The management updates the Board on the Group's performance and outlook at each Board meeting. The Directors, in consultation with the Chairman, have the right to seek, either individually or as a group, in the furtherance of their duties, independent professional advice, if necessary, at the Company's expense.

Mr. Ng King Hang, the Company Secretary, attends all Board meetings and is responsible for ensuring that Board procedures are followed. Mr. Ng, together with the management, is also responsible for ensuring the Group's compliance with the Bermuda Companies Act and all other rules and regulations that are applicable to the Group.

Moreover, the Company Secretary prepares minutes of the Board meetings and keeps records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also keeps the minutes of the Board meetings, which are open for inspection at any reasonable time on reasonable notice by any Director.

If a substantial Shareholder or Director has a conflict of interest in a matter to be discussed by the Board which the Board considers material, such matter shall be considered at a Board meeting instead of resolved by written resolutions. Independent non-executive Directors who and whose close associates have no material interest in the matter should be present at such a Board meeting.

Pursuant to code provision A.2.7 of the Hong Kong Code, the chairman should at least annually hold meetings with the independent non-executive Directors without the presence of the executive Directors. During the year, the Chairman held a meeting with the independent non-executive Directors without the presence of the executive Directors. The independent non-executive Directors may call for meetings from time to time and provide feedback to the Chairman to express their views. The Company is of the view that there is efficient communication between the Chairman and the independent non-executive Directors.

Nomination Committee

The NC was established by the Board on 28 May 2004 with written terms of reference in accordance with code provision A.5.2 of the Hong Kong Code. As at the date of this report, the NC comprises two executive Directors and three independent non-executive Directors.

Chairman:	Mr. Yan Jiong (executive Director)
Members:	Mr. Hu Xiangwei (executive Director) Mr. Shi Fazhen (independent non-executive Director) Mr. Liu Zongliu (independent non-executive Director) Ms. Jing Pilin (independent non-executive Director)

The role and functions of the NC are set out in its written terms of reference. Its primary responsibilities include (i) conducting annual review of the structure, size and composition (including the balance of skills, knowledge, experience and diversity) of the Board, and making recommendations on any proposed changes (if any) to the Board to complement the Company's corporate strategy; (ii) identifying, selecting and recommending individuals suitably qualified to become Board members and making recommendations to the Board on selection of individuals nominated for directorships; (iii) assessing the independence of the independent non-executive Directors; (iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and chief executives; and (v) reviewing the contributions and performances of individual Director as well as evaluating the effectiveness of the Board.

For the year, the NC held three meetings and carried out a review and an assessment of the Board's performance, taking note of the findings from previous evaluations undertaken and the actions taken to address those findings. The meeting discussed the areas where certain administrative inadequacies on dissemination of board materials and schedule planning had been noted, appropriate corrective measures agreed with management and performance indicators determined to drive compliance.

In addition, the NC has, during the year ended 31 December 2021, reviewed the structure, size and composition of the Board, reviewed the time and attention devoted by individual Directors to the Company, assessed the independence of the independent non-executive Directors, and made the recommendations to the Board on the re-appointment of retiring Directors.

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") to assist the Board in identifying suitably qualified candidates and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors as well as providing the selection criteria and procedures adopted for making recommendations by the NC. A summary of the selection criteria and procedures for recommendation and selection of candidates for directorship is disclosed below.

Selection Criteria

In assessing the suitability of a proposed candidate, the NC shall consider the following factors:

- reputation for integrity;
- accomplishment, experience and reputation of the relevant business of the Group;
- time to be devoted and attention to the affairs of the Company;
- diversity of the Board in all aspects, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience;
- compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and
- any other relevant factors as may be determined by the NC or the Board from time to time.

The appointment of any proposed candidate(s) to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Bye-Laws and other applicable rules and regulations.

Nomination Procedures

To nominate a candidate for the appointment and/or re-appointment of Directors, the procedures are as follows:

- The secretary of the NC shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the NC. The NC may also put forward candidates who are not nominated by Board members;
- Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a director of the Company and to the public disclosure of their personal data on any documents or relevant website in connection with their nomination or otherwise pursuant to applicable rules and regulatory requirements; recommendation will then be made by the NC upon review of the relevant documents for Board's consideration and approval. The NC may request candidates to provide additional information and documents, if considered necessary;
- In the context of re-appointment of any existing member(s) of the Board, the NC shall make recommendations to the Board for its consideration and recommendation, for the candidates to stand for re-election at a general meeting;

- Please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director of the Company", which is available on the Company's website, for procedures for shareholders' nomination of any candidate for election as a Director; and

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

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

Under bye-law 104 of the Bye-Laws, at least one-third of the Directors are required to retire from office by rotation and they are eligible for re-election at the Company's annual general meeting, and each Director must retire from office at least once every three years. In addition, a newly appointed Director must retire and offer himself for re-election at the forthcoming annual general meeting after his appointment pursuant to bye-law 107(B) of the Bye-Laws.

On 25 March 2022, the NC had recommended the re-appointment of Mr. Hu Xiangwei, Mr. Song Henan and Mr. Shi Fazhen for re-election at the forthcoming annual general meeting. The Board had accepted the NC's recommendation.

Board Diversity Policy

The Company adopted a board diversity policy (the "Board Diversity Policy"). A summary of the Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

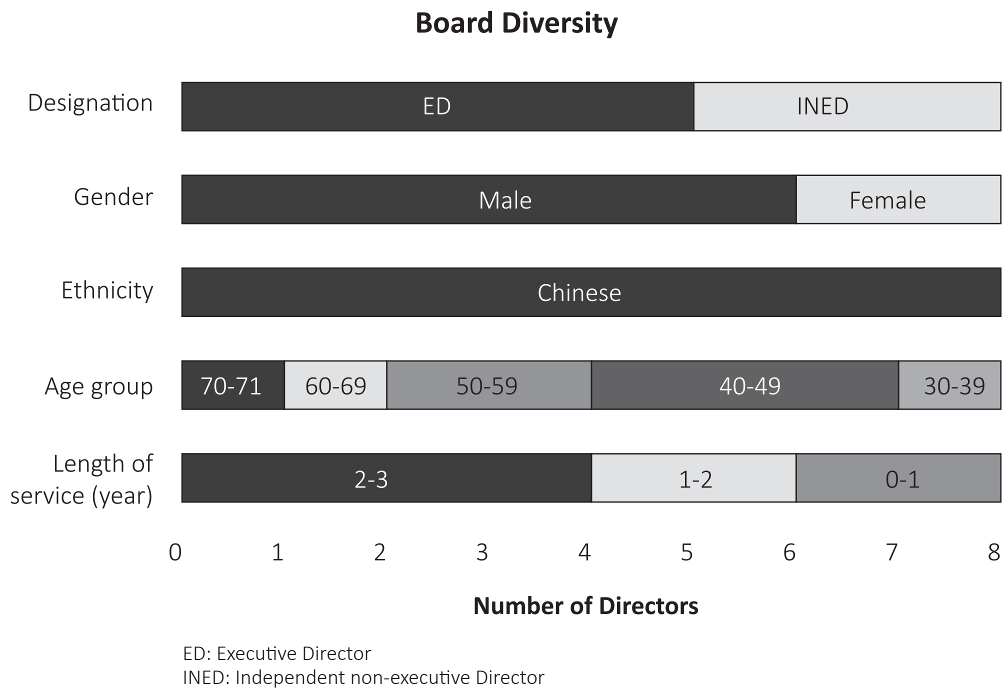
Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aims at setting out the approach to achieve diversity of the Board. In determining the Board's composition, difference in the gender, age, cultural and educational background, professional experience, skills, knowledge and length of service of Directors will be taken into account. All Board appointment will be made based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board and the contribution that the selected candidates will bring to the Board. The Nomination Committee shall review the board diversity policy and make recommendations to the Board on amendments to the board diversity policy (if any) as appropriate.

The Group has a relatively balanced workforce (including senior management) overall, with 35% female permanent staff and women are well represented in corporate functions. The Group aims to maintain an appropriate balance of diversity perspectives that are relevant to the Group's business growth. The Group adheres to fair employment practices and promotes diversity and equal opportunity in its recruitment and promotion processes. Employees at all levels (from the Board downwards) are hired and selected based on their skill sets and abilities, regardless of race, gender or religion.

Measurable objectives

For the purpose of implementing the Board Diversity Policy, the Board has adopted and the Company has achieved a range of measurable objectives set out below, including but not limited to gender, ethnicity, age and length of services. As at the date of this report, the Board's composition under major diversified perspectives was summarised as follows:



Remuneration Committee

The RC was established by the Board on 28 May 2004 in accordance with Rule 3.25 of the Listing Rules, with written terms of reference in accordance with code provision B.1.2 of the Hong Kong Code. As at the date of this report, the RC comprises four members, a majority of whom are independent non-executive Directors and two executive Directors.

Chairman:	Mr. Shi Fazhen (independent non-executive Director)
Members:	Mr. Yan Jiong (executive Director) Mr. Hu Xiangwei (executive Director) Mr. Liu Zongliu (independent non-executive Director) Ms. Jing Pilin (independent non-executive Director)

The RC is responsible for recommending to the Board a framework for the remuneration of Directors and key executives. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and other benefits. The RC also oversees the administration of the Company's share option scheme. The RC's recommendations are made in consultation with the CEO and submitted for endorsement by the Board. No Director is involved in any decision making in respect of any remuneration or compensation to be offered or granted to him.

The RC held two meetings during the year ended 31 December 2021 and carried out its functions, which included the following:

(i) To recommend to the Board a framework of remuneration for the Board and executive officers; make recommendations to the Board on the remuneration packages for senior management and individual executive Directors; such remuneration packages should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, benefits in kind and retirement rights and compensation, including compensation payable for loss or termination of their office or appointment.

(ii) To review the remuneration packages of all managerial staff who are related to any of the executive Directors or the chief executive officers.

(iii) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

(iv) To make recommendations to the Board on the remuneration of non-executive Directors.

(v) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

(vi) In the case of service contracts, to consider what compensation commitments the Directors' and executive officers' contracts of service, if any, would entail in the event of early loss or termination with a view to being fair and avoiding rewarding poor performance. To ensure that any payment made is consistent with contractual terms and is otherwise fair and not excessive.

(vii) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

(viii) To ensure that no Director or any of his associates is involved in deciding his own remuneration.

(ix) To recommend to the Board in consultation with senior management and the Chairman of the Board any long term incentive scheme.

(x) In respect of any share option schemes as may be implemented, to consider whether Directors should be eligible for benefits under such incentive schemes.

(xi) To recommend to the Board on the appointment of Directors whose service contracts shall be disclosed to shareholders in accordance with the Listing Rules.

(xii) To consult the Chairman and/or Chief Executive Officer about their proposals relating to the remuneration of other executive Directors and have access to professional advice if considered necessary.

(xiii) To report to the Board on the deliberations and recommendations of the RC in discharge of their functions.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises.

Remuneration of Directors

The disclosure on the remuneration of each Director for the Year is found on pages 81 to 82 of this annual report. A breakdown, showing the level and mix of each Director's remuneration for the year is as follows:

Remuneration band	Salary %	Fees %	Bonus %	Other Benefits %	Total %
Less than HK$1,000,000					
Mr. Yan Jiong	–	–	–	–	–
Mr. Hu Xiangwei (1)	–	–	–	–	–
Mr. Jiang Wei	–	–	–	–	–
Ms. Zhao Na	–	–	–	–	–
Mr. Song Henan (1)	–	–	–	–	–
Mr. He Junyu (2)	–	–	–	–	–
Mr. Zhang Jing (3)	–	–	–	–	–
Mr. Shi Fazhen	–	100	–	–	100
Ms. Jing Pilin	–	100	–	–	100
Mr. Liu Zongliu (1)	–	100	–	–	100

Notes:

(1) Appointed on 28 July 2021.

(2) Resigned on 12 April 2021.

(3) Resigned on 28 July 2021.

The remuneration of the executive Directors and the key executives comprise a basic salary component and a variable component, which is the performance bonus, based on the performance of the Group as a whole and the executive Director's individual performance.

The independent non-executive Directors are paid with Directors' fees. The Directors' fee comprises a basic retainer fee, plus additional fees for serving as Chairman or member of a Board Committee, which take into account the responsibilities, efforts and time spent in the discharge of the Director's responsibilities.

The remuneration of the member of the senior management by remuneration band for the year ended 31 December 2021 is set out below:

Remuneration band	Number of individuals 2021	2020
Less than HK$1,000,000	1	1

Accountability and Audit

The Board is responsible for preparation of financial statements of the Group. In presenting the annual financial statements and interim and annual results announcements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the performance, position and prospects of the Company and the Group as a whole.

The Management provides the Board with relevant information on a timely basis in order that it may effectively discharge its duties.

In discharging its responsibility for the financial statements of the Group, the Board ensures that the financial statements are prepared and presented in accordance with statutory requirements and applicable accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in "Independent Auditor's Report" on pages 45 to 49 of this annual report.

Risk management and internal controls

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

The Group has in place an Enterprise Risk Management Framework that identifies the key risks that the Group faces, including financial, operational, compliance and information technology risks, as well as the controls and procedures put in place to manage and mitigate such risks. The said framework has been reviewed and discussed by the AC and the Board at least once annually. The AC and the Management will continually assess the adequacy and effectiveness of the risk management framework and processes.

In the course of their statutory audit, the Company's external auditor carried out a review of the effectiveness of the Company's material internal controls. No material compliance issues or internal control weaknesses were noted by the external auditor.

The Company has appointed and commissioned an external professional services firm as internal auditor (the "Internal Auditor") to assist the Management in reviewing the Group's risk management and internal controls systems and procedures and assessing the adequacy and effectiveness of the Group's risk management and internal controls systems. The Internal Auditor have carried out their internal audits in accordance with an audit plan approved by the AC. Findings and recommendations of the Internal Auditor together with the Management response were submitted to the AC for review. Considering the scale and nature of the Group's operations, the Board is satisfied that such an arrangement is adequate and in the best interest of the Company. The risk management and internal control systems are reviewed annually.

The Board has received assurance from the CEO and the Financial Controller that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company's risk management and internal control system in place are effective.

Based on the risk management review and the risk management and the internal control system established and maintained by the Group, work performed by the Internal Auditor and the review undertaken by the external auditor, and the aforesaid assurances from the CEO and the Financial Controller, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems is adequate and effective to address the financial, operational and compliance risks, and information technology controls of the Company in its current business environment.

The Board notes that the risk management and internal control systems established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no risk management and internal control systems can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Audit Committee

The AC was established by the Board on 28 May 2004 in accordance with Rule 3.21 of the Listing Rules, with written terms of reference in compliance with code provision C.3.3 of the Hong Kong Code. As at the date of this report, the AC comprises three members, all of whom are independent non-executive Directors.

Chairman:	Mr. Shi Fazhen (independent non-executive Director)
Members:	Mr. Liu Zongliu (independent non-executive Director) Ms. Jing Pilin (independent non-executive Director)

The AC held four meetings during the year ended 31 December 2021 and has dealt with the following matters, where relevant, with the executive Directors and the external auditor of the Company:

On 25 March 2022, the AC reviewed the Group's consolidated annual results for the year ended 31 December 2021, and considered that the said annual results are prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

a) review the Group's annual and interim results;

b) assist the Board in discharging its responsibility to:

  – safeguard the Company's assets;

  – maintain adequate accounting records; and

  – develop and maintain effective risk management and internal control systems and internal audit functions;

c) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor;

d) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

e) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

f) review the internal audit plan, and the results of the internal audits undertaken by the Internal Auditor; and

g) review the Enterprise Risk Management Framework established, and the key risks identified together with the controls and procedures put in place to manage and mitigate the risks.

The AC has recommended to the Board that Ernst & Young be nominated for reappointment as external auditor of the Company at the forthcoming annual general meeting. During the Year, the Company has paid an aggregate amount of approximately HK$2,300,000 to the external auditor for its audit services.

The Group has appointed suitable audit firms to meet the Group's audit obligations. In appointing the audit firms for the Group, the AC and the Board are satisfied that the appointment of different auditing firms for its subsidiaries will not compromise the standard and effectiveness of the audit of the Company.

The AC has full access to and co-operation of the management and has been given the resources required for it to discharge its functions properly. It has full discretion to invite any Director and executive officer to attend its meetings. The AC has also met with the external auditor, without the presence of the management of the Company during the Year. The external auditor have unrestricted access to the Audit Committee.

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. There were no whistle-blowing reports received during the Year and up to the date of this report.

Directors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2021 which give a true and fair view of the financial position of the Group as well as the operating results and cash flows during that year. The auditor of the Company is responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the Shareholders.

Company Secretary

Mr. NG King Hang has been appointed as the Company Secretary with effect from 11 September 2018. He has complied with the requirement of Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the year ended 31 December 2021.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Hong Kong Code.

Shareholder Rights and Responsibilities

The Company engages in regular, effective and fair communication with its shareholders, and has appointed an investor relation firm to advise on and facilitate this process. The Company sees the merits of holding briefings for investors and analysts as a means to promote better understandings of the Company's business and operations. However, it does so without compromising the principles of fair and equitable disclosure. Announcements containing inside information including annual and half-year results are released through the websites of SEHK, SGX-ST and the Company. The Company will also update investors and shareholders on the Group's development by making announcements in compliance with the Listing Rules from time to time.

All shareholders of the Company will be sent a copy of the annual report, interim report, circular (if any) and notice of general meeting. The Board, the Chairman of the AC, RC and NC and the key management staff will be available at the annual general meeting to answer questions that shareholders may have concerning the Company. The external auditor will also be present to assist the Directors in addressing any relevant queries from the shareholders.

Procedures for shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Bermuda Companies Act, the Board shall, on the requisition of members of the Company holding not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such requisition, the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders necessary for a requisition shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at Room 2008, 20/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and they may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at Room 2008, 20/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

Dividend Policy

The Board has adopted a dividend policy (the "Dividend Policy") on 4 March 2019 with an aim to provide the shareholders of the Company with stable and sustainable returns.

In proposing any dividend distribution and determining the dividend payout, the Board shall take into account:

- the actual and expected performance and financial conditions of the Group;
- retained earnings and distributable reserves of the Group;
- the liquidity and cash flow of the Group;
- the expected requirements for working capital and future investment of the Group;
- restrictions on payment of dividends that may be imposed on the Company by any of its financing arrangements; and
- such other factors that the Board deems appropriate.

Model Code for Securities Transactions by Directors

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

Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code during the year ended 31 December 2021.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2021.

Constitutional Documents

The most updated Bye-Laws are available on the websites of HKSE, SGX-ST and the Company.

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2021.

1 PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the Group are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of the likely developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" as set out on pages 4 to 11 of this annual report. These discussions form part of this Directors' Report.

2 RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this annual report. No interim dividend was paid during the year. In respect of the financial year ended 31 December 2021, no dividend was proposed by the Directors (2020: Nil).

3 SUMMARY FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out on page 104 of this annual report. This summary does not form part of the audited consolidated financial statements.

4 FINAL DIVIDEND

The Board did not declare a final dividend for the year ended 31 December 2021 (2020: Nil).

5 PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

6 MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, sales to the Group's five largest customers accounted for approximately 97.7% (2020: approximately 53.9%) of the total sales for the year and the single largest customer accounted for approximately 43.6% (2020: approximately 40.5%); purchases from the Group's five largest suppliers accounted for approximately 86.6% (2020: approximately 31.6%) of the total purchases for the year and the single largest supplier accounted for approximately 44.8% (2020: approximately 9.0%).

None of the Directors or any of their close associates or any shareholders (who, 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.

7 SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 24 to the financial statements.

8 EQUITY-LINKED AGREEMENT

Save for details of the share option schemes as set out in note 24 to the financial statements, no equity-linked agreement was entered into by the Company during the year ended 31 December 2021 or subsisted at the end of the financial year.

9 PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

10 PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") and the Main Board of The Singapore Exchange Securities Trading Limited (the "SGX-ST").

11 DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company during the year are set out in note 32 to the financial statements.

12 DIRECTORS

The Directors in office during the financial year ended 31 December 2021 and up to the date of this report are:

Executive Directors

Mr. Yan Jiong (Chairman)
Mr. Hu Xiangwei (Chief Executive Officer) *(appointed with effect from 28 July 2021)*
Mr. Jiang Wei
Ms. Zhao Na
Mr. Song Henan *(appointed with effect from 28 July 2021)*
Mr. He Junyu *(resigned with effect from 12 April 2021)*
Mr. Zhang Jing *(resigned with effect from 28 July 2021)*

Independent Non-executive Directors

Mr. Shi Fazhen
Mr. Liu Zongliu
Ms. Jing Pilin

Mr. Hu Xiangwei and Mr. Song Henan will retire in accordance with bye-law 107(B) of the Company's Bye-laws at the Company's forthcoming annual general meeting and being eligible, offer themselves for re-election.

Mr. Shi Fazhen will retire in accordance with bye-law 104 of the Company's Bye-laws at the Company's forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

13 BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 15 of this annual report. The biographical details do not form part of the audited consolidated financial statements.

14 DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to the respective Directors' duties, responsibilities and performance and the results of the Group. The details of the directors' remuneration are set out on pages 81 to 82 of this annual report.

15 DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr. Yan Jiong, Mr. Hu Xiangwei, Mr. Jiang Wei, Ms. Zhao Na and Mr. Song Henan entered into a service contract with the Company for a term of three years, which shall automatically continue from year to year upon expiry of its term, unless terminated in accordance with the provisions of the service contract by either party giving to the other not less than six months' prior notice in writing provided that the Company shall have the option to pay salary in lieu of any required period of notice.

None of the Directors has or is proposed to have entered into any service contract with the Company or any of its subsidiaries which is not determinable by the Company or any such subsidiary within one year without payment of compensation other than statutory compensation.

16 MANAGEMENT CONTRACTS

No contracts concerning management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

17 CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at as 31 December 2021 or at any time during the year ended 31 December 2021.

18 DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the SEHK pursuant to the Model Code.

19 DIRECTORS' INTEREST IN COMPETING BUSINESSES

None of the Directors was interested in any business which competes or is likely to compete with the businesses of the Group at any time during the year ended 31 December 2021.

20 DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the related party transactions are set out in the below paragraphs and note 28 to the financial statements.

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

21 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year ended 31 December 2021 nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the share options schemes mentioned in note 24 to the financial statements.

Share Option Scheme

The Company adopted the 2004 Share Option Scheme on 28 May 2004 for a maximum period of 10 years from the adoption date, which was subsequently superseded by the 2011 Share Option Scheme adopted by the Company on 9 June 2011. The terms of the 2004 Share Option Scheme and the 2011 Share Option Scheme were amended on 17 July 2018, details of which were disclosed in the circular of the Company dated 29 June 2018 (the "Circular") and the poll results announcement of the Company dated 17 July 2018.

No share option had been granted, exercised, expired, cancelled or lapsed and there is no outstanding share option under the 2004 Share Option Scheme and the 2011 Share Option Scheme during the year ended 31 December 2021.

A summary of the 2004 Share Option Scheme and the 2011 Share Option Scheme are set out below.

		2004 Share Option Scheme	2011 Share Option Scheme
1.	Purpose	To provide the eligible participants with an opportunity to have a personal stake in the Company with a view of motivating them to optimise their performance efficiency for the benefit of the Company.	To enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the Group, and to encourage eligible participants to perform their best in achieving goals of the Group.
2.	Eligible participants	Directors (including non-executive Directors and independent non-executive Directors) and employees of the Group. Controlling shareholders and their associates are not eligible to participate in the 2004 Share Option Scheme.	Directors (including non-executive Directors and independent non-executive Directors) and employees of the Group.
3.	Maximum number of shares available for issue	The total number of Shares in respect of which options may be granted under the 2004 Share Option Scheme shall not exceed 15% of the issued Shares from time to time. No further options could be granted under the 2004 Share Option Scheme.	The maximum number of Shares in respect of which options may be granted under the 2011 Share Option Scheme is 23,250,000 Shares which is equivalent to 10% and 8% of the issued Shares as at its adoption date (i.e. 9 June 2011) and the date of this annual report respectively.

4.	Maximum entitlement of each participant	The maximum entitlement of any offeree, in accordance with and during the operation of the 2004 Share Option Scheme, shall not exceed 20% in aggregate of the total number of Shares which have been issued and may be issued by the Company under the 2004 Share Option Scheme.	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer. Where the options are granted to the controlling shareholders and their associates, (i) the aggregate number of Shares available to the controlling shareholders and their associates shall not exceed 25% of the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (ii) the aggregate number of Shares available to each controlling shareholder or his associate shall not exceed 10% of the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (iii) separate approval of independent shareholders shall be obtained for each participant in respect of this participation and the number of Shares comprised in the options to be granted to him and the terms.
5.	Option period	Holders of options who are executive directors or employees of any company in the Group will have up to 10 years from the date of grant to exercise their options. Holders of options who are non-executive directors of any company within the Group will have up to 5 years from the relevant date of grant to exercise their options. Offers of options made to grantees, if not accepted within 30 days, will lapse.	The period shall not be more than 10 years from the date of grant to be notified by the Remuneration Committee to each grantee which period of time shall commence on the date of grant and expire on such earlier date as may be determined by the Company.

6.	Payment on acceptance of options offer	Upon acceptance of the option, the grantee shall pay S$1.00 to the Company by way of consideration for the grant of the option.	Similar to the 2004 Share Option Scheme.
7.	Exercise price	Exercise price may be set at a price equal to the average of the last dealt prices for the Shares determined by reference to the daily official list of other publication published by the Official List of SGX-ST for a period of five consecutive market days immediately preceding the relevant date of grant or at a discount to the abovementioned price (subject to a maximum discount of 20%).	Exercise price shall be the higher of: (i) the official closing price of the Shares as stated on the daily quotations sheets issued by the SEHK or the SGX-ST (whichever is higher) on the offer date of such option, which must be a business day; and (ii) the average of the official closing prices of the Shares stated on the daily quotation sheets issued by the SEHK or the SGX- ST for the 5 consecutive business days immediately preceding the offer date of such options (whichever is higher).
8.	Scheme period	It shall be in force up to a maximum period of 10 years from its adoption date (i.e. up to 28 May 2014), and was subsequently superseded by the 2011 Share Option Scheme.	It shall be in force up to a maximum period of 10 years from its adoption date (i.e. up to 9 June 2021).

Share Award Scheme

Details of the share award scheme are set out in note 24 to the financial statements.

22 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, so far as known to the Directors of the Company, the following persons (other than the Directors whose interests are disclosed in the section headed "Directors' Interests in Shares and Underlying Shares and Debentures" above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the SEHK 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:

Long position in Shares

		Direct Interest		Deemed Interest	
Name	**Capacity and nature of interests**	**Number of Shares held**	**Approximate percentage of the issued share capital of the Company**	**Number of Shares held**	**Approximate percentage of the issued share capital of the Company**
Baodi International Investment Company Limited *(Note 1)*	Beneficial owner	201,196,995	73.05%	–	–
Yunnan Energy Investment (HK) Co. Limited *(Note 1)*	Interest of controlled corporation	–	–	201,196,995	73.05%
Yunnan Provincial Energy Investment Group Co., Limited *(Note 1)*	Interest of controlled corporation	–	–	201,196,995	73.05%

Notes:

1. 201,196,995 shares are owned by Baodi International Investment Company Limited which is wholly owned by Yunnan Energy Investment (HK) Co. Limited, which in turn is wholly owned by Yunnan Provincial Energy Investment Group Co., Limited. Accordingly, Yunnan Energy Investment (HK) Co. Limited and Yunnan Provincial Energy Investment Group Co., Limited are deemed to be interested in all the Shares held by Baodi International Investment Company Limited.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other persons (other than the Directors) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the SEHK 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.

23 SUFFICIENCY OF PUBLIC FLOAT

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

24 BOARD COMMITTEES

The Company established each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 28 May 2004. For further details, please refer to the Corporate Governance Report of this annual report.

25 DONATIONS

No charitable and other donations were made by the Group during the year ended 31 December 2021 (2020: Nil).

26 ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operating in compliance with applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment.

The Group has actively promoted material-saving and environmentally friendly working environment so as to protect the environment and improve air quality within the community. The Group is reviewing their action plan for further reduction of energy consumption in our manufacturing facilities. Several measures have been implemented in order to mitigate environmental pollution, such as reducing energy consumption and enhancing machines and equipment. The Group also adheres to the principle of recycling and reducing. Double sided printing and copying, using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance are being implemented in the offices.

27 COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Group has been allocating system and staff resources to ensure ongoing compliance with the applicable rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications.

Throughout the financial year ended 31 December 2021, to the best knowledge, information and belief, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Company.

28 RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For our relationship with employees, please refer to the paragraph headed "Employees and Emolument Policy" as set out in the Management Discussion and Analysis on page 11 of this annual report.

Relationship is the fundamentals of business. The Group fully understands this principle and thus maintain close relationship with the customers to fulfil their immediate and long-term need. The Group also strives to maintain fair and co-operating relationship with the suppliers.

29 PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2021. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

30 DEFINED BENEFIT PLAN

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance and other defined contribution schemes in other jurisdictions in which the Group has operations for eligible employees. Under these schemes, the Group's employer contributions vest fully with the employees when contributed into these schemes. Accordingly, the Group's contributions under these schemes had no forfeited contributions which may be used to reduce the existing level of contributions.

The Group's defined benefit plan was wholly attributable to relevant entities in the discontinued operations which were disposed of by the Group during the year ended 31 December 2018, as further detailed in the Company's circular dated 29 June 2018 and announcement dated 14 August 2018. Accordingly, the Group did not have any defined benefit plan for the year ended 31 December 2021.

31 CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

32 RELATED PARTY TRANSACTIONS

Save as disclosed above, none of the related party transactions as set out in note 28 to the financial statements in the annual report falls under the definition of "connected transactions" or "continuing connected transactions" as defined in Chapter 14A of the Listing Rules (except for the loan from the immediate holding company which is fully exempted from the connected transaction requirement under Rules 14A.90 of the Listing Rules and the consultancy service expenses to a fellow subsidiary which is fully exempted from the connected transaction requirement under Rules 14A.76 of the Listing Rules). The connected and continuing connected transactions of the Group are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

33 AUDITOR

An ordinary resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Ernst & Young as the auditor of the Company. The auditor, Ernst & Young, has expressed their willingness to accept the re-appointment.

34 TAX RELIEF AND EXEMPTION

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

ON BEHALF OF THE BOARD

Yan Jiong
Chairman
25 March 2022

EY 安永

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To the shareholders of Yunnan Energy International Co. Limited
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Yunnan Energy International Co. Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 103, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

EY 安永

Key audit matters – continued

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
At 31 December 2021, the Group had trade receivables of approximately HK$64.1 million, which represented 23.9% of the Group's total assets as at that date. Provisions are made for expected credit losses of trade receivables, using a provision matrix or, for external customers with credit deterioration, assessing on an individual basis. Significant management's judgements and estimates were involved in the impairment assessment of these trade receivables. Related disclosures are included in notes 2.4, 3, 8 and 18 to the consolidated financial statements.	In relation to the impairment assessment of trade receivables, we obtained an understanding of the credit loss provisioning methodologies adopted by the Group and assessed the allowance for the expected credit losses estimated by management with reference to the history of actual write-offs and ageing analysis of the trade receivables. We also, on a sample basis, tested the ageing analysis of the trade receivables prepared by management; circulated and obtained direct debtors' confirmations; and checked the settlement status subsequent to the reporting period. We considered the adequacy of the Group's disclosures of the impairment of trade receivables in the consolidated financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises 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 the directors 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 IFRSs issued by the IASB 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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.

- 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.

Auditor's responsibilities for the audit of the consolidated financial statements – continued

- 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 CHENG Man.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2022

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021	2020
		HK$'000	HK$'000
REVENUE	5	84,106	60,988
Cost of sales		(80,994)	(59,617)
Gross profit		3,112	1,371
Other income and gains	6	435	826
Gain on deregistration of a subsidiary	26	2,107	–
Selling and distribution expenses		(2,043)	(4,271)
Administrative expenses		(12,462)	(14,924)
Reversal of impairment losses/(impairment losses) of financial assets, net	8	4,590	(12,722)
Other expenses, net		(21,226)	(29,187)
Finance costs	7	(1,353)	(3,292)
LOSS BEFORE TAX	8	(26,840)	(62,199)
Income tax	11	(112)	–
LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		(26,952)	(62,199)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(928)	(1,187)
Release of exchange fluctuation reserve upon deregistration of a subsidiary		(586)	–
		(1,514)	(1,187)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Change in fair value of equity investment at fair value through other comprehensive income		–	(816)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		(1,514)	(2,003)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		(28,466)	(64,202)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		
Basic and diluted		(HK9.8 cents)	(HK22.6 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021	2020
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	742	1,890
Right-of-use assets	14(a)	936	1,307
Computer software	15	–	1,544
Equity investment at fair value through other comprehensive income	16	–	2,388
Total non-current assets		1,678	7,129
CURRENT ASSETS			
Inventories	17	6,400	21,362
Trade receivables	18	64,105	36,460
Prepayments, deposits and other receivables	19	92,824	77,265
Income tax recoverable		–	110
Cash and bank balances	20	103,122	115,736
Total current assets		266,451	250,933
CURRENT LIABILITIES			
Trade payables	21	1,993	6,096
Other payables and accruals	22	3,481	10,299
Loans from fellow subsidiaries	23	73,593	23,799
Lease liabilities	14(b)	274	370
Total current liabilities		79,341	40,564
NET CURRENT ASSETS		187,110	210,369
TOTAL ASSETS LESS CURRENT LIABILITIES		188,788	217,498
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	763	1,007
Net assets		188,025	216,491
EQUITY			
Issued capital	24	107,420	107,420
Reserves	25	80,605	109,071
Total equity		188,025	216,491

YAN JIONG
DIRECTOR

HU XIANGWEI
DIRECTOR

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to shareholders of the Company							
	Issued capital	Share premium account	Contributed surplus	Capital and other reserves	Investment revaluation reserve	Exchange fluctuation reserve	Retained profits	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000 (note 25(b))	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	107,420	143,392	3,071	112	–	2,423	24,275	280,693
Loss for the year	–	–	–	–	–	–	(62,199)	(62,199)
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	–	(1,187)	–	(1,187)
Change in fair value of an equity investment at fair value through other comprehensive income	–	–	–	–	(816)	–	–	(816)
Total comprehensive loss for the year	–	–	–	–	(816)	(1,187)	(62,199)	(64,202)
At 31 December 2020 and 1 January 2021	107,420	143,392*	3,071*	112*	(816)*	1,236*	(37,924)*	216,491
Loss for the year	–	–	–	–	–	–	(26,952)	(26,952)
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	–	(928)	–	(928)
Release of exchange fluctuation reserve upon deregistration of a subsidiary	–	–	–	–	–	(586)	–	(586)
Total comprehensive loss for the year	–	–	–	–	–	(1,514)	(26,952)	(28,466)
Reclassification adjustment for investment revaluation reserve upon the disposal of an equity investment at fair value through other comprehensive income	–	–	–	–	816	–	(816)	–
Release of capital and other reserves upon deregistration of a subsidiary	–	–	–	(112)	–	–	112	–
At 31 December 2021	107,420	143,392*	3,071*	–*	–*	(278)*	(65,580)*	188,025

* These reserve accounts comprise the consolidated reserves of HK$80,605,000 (2020: HK$109,071,000) in the consolidated statement of financial position as at 31 December 2021.

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(26,840)	(62,199)
Adjustments for:			
Finance costs	7	1,353	3,292
Interest income	6	(289)	(498)
Loss on disposal of items of property, plant and equipment	8	608	285
Impairment losses/(reversal of impairment losses) of financial assets, net	8	(4,590)	12,722
Impairment losses of property, plant and equipment	8	273	–
Impairment losses of computer software	8	772	–
Write-off of inventories	8	11,537	–
Provision for inventories	8	–	5,862
Depreciation of property, plant and equipment	8	641	513
Depreciation of right-of-use assets	8	402	618
Amortisation of computer software	8	772	772
Gain on deregistration of a subsidiary	26	(2,107)	–
Gain on a lease modification	6	–	(84)
Gain on termination of a lease	6	–	(10)
		(17,468)	(38,727)
Decrease in inventories		3,037	27,155
Decrease/(increase) in trade receivables		(24,002)	94,044
Decrease/(increase) in prepayments, deposits and other receivables		(17,353)	13,861
Decrease in trade payables		(4,011)	(7,758)
Decrease in other payables and accruals		(6,797)	(10,621)
Cash generated from/(used in) operations		(66,594)	77,954
PRC corporate income tax paid		(112)	–
Net cash flows from/(used in) operating activities		(66,706)	77,954
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		289	498
Purchases of items of property, plant and equipment		(727)	(762)
Proceeds from disposal of items of property, plant and equipment		394	–
Proceeds from disposal of an equity investment at fair value through other comprehensive income		2,388	–
Net cash flows from/(used in) investing activities		2,344	(264)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans	27(b)	–	8,620
Repayment of bank loans	27(b)	–	(17,318)
New loans from a shareholder	27(b)	–	10,920
Repayment of loans from a shareholder	27(b)	–	(194,269)
New loans from fellow subsidiaries	27(b)	84,337	112,445
Repayment of loans from fellow subsidiaries	27(b)	(36,145)	(89,956)
Principal portion of lease payments	14(b)	(373)	(541)
Interest portion of lease payments	14(b)	(61)	(92)
Other interest paid	27(b)	(1,124)	(3,166)
Net cash flows from/(used in) financing activities		46,634	(173,357)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(17,728)	(95,667)
Cash and cash equivalents at beginning of year		115,736	204,877
Effect of foreign exchange rate changes, net		5,114	6,526
CASH AND CASH EQUIVALENTS AT END OF YEAR		103,122	115,736

1. CORPORATE AND GROUP INFORMATION

Yunnan Energy International Co. Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability. The Company's shares have a primary listing on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") and a secondary listing on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

During the year, the Company and its subsidiaries (collectively, the "Group") were involved in the following principal activities:

- Distribution of branded analytical and laboratory instruments and life science equipment and the provision of related repair and maintenance services (the "Distribution Business")
- Trading and supply chain business on diversified industrial and consumer products (the "Supply Chain Business")

The immediate holding company of the Company is Baodi International Investment Company Ltd. ("Baodi"), which is incorporated in the British Virgin Islands with limited liability, and in the opinion of the directors, the ultimate holding company of the Company is Yunnan Provincial Energy Investment Group Co., Ltd, which is a state-owned enterprise established in the People's Republic of China (the "PRC") and is wholly owned by The State-owned Assets Supervision and Administration Commission of the Yunnan Provincial People's Government of the PRC.

Information about principal subsidiaries

Particulars of the Company's principal subsidiaries, which are all indirectly held by the Company, as at 31 December 2021 are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/paid-up registered capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Techcomp (Macao Commercial Offshore) Limited	Macau	MOP10,000,000	100	Trading of analytical and laboratory instruments and life science equipment
Techcomp (China) Limited#	PRC/ Mainland China	HK$10,000,000	100	Trading of analytical and laboratory instruments and life science equipment and provision of related repair and maintenance services
深圳雲能國際供應鏈有限公司*	PRC/ Mainland China	US$10,000,000/ US$100,000,000	100	Trading and supply chain business on diversified industrial and consumer products

Techcomp (China) Limited is registered as a wholly-foreign-owned enterprise under PRC law.

* At 31 December 2021, the Group has injected US$10,000,000 to this subsidiary. The outstanding capital contribution of US$90,000,000 to the subsidiary is due to be paid on or before 31 December 2024 in accordance with the subsidiary's articles of association.

1. CORPORATE AND GROUP INFORMATION - continued

Information about principal subsidiaries - continued

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2021. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment at fair value through other comprehensive income which has been measured at fair value.

These financial statements are presented in Hong Kong dollar (HK$) and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.1 BASIS OF PREPARATION - continued

Basis of consolidation - continued

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

None of the above revised IFRSs has had a significant financial effect on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 *Insurance Contracts* was amended to extend the temporary exemption that permits insurers to apply IAS 39 *Financial Instruments: Recognition and Measurement* rather than IFRS 9 (2014) *Financial Instruments* for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below:

(a) Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework For Financial Reporting* (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 *Business Combinations* an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies* if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition. These amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

(b) Amendments to IAS 1 *Classification of liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(c) Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

(d) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

(f) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(g) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 (2014), Illustrative Examples accompanying IFRS 16 *Leases*, and IAS 41 *Agriculture*. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 (2014): clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a holding company of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Related parties - continued

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

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

Fair value measurement

The Group measures its equity investment at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value measurement - continued

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment and depreciation - continued

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	29%
Machinery and equipment	9% to 20%
Furniture and fixtures	18% to 20%
Motor vehicles	18% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of non-financial assets - continued

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Leases – Group as a lessee

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

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets of office premises are depreciated on the straight-line basis over the depreciation periods of 2 to 5 years, which are the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset is transferred to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group elected to present the right-of-use assets separately on the face of the consolidated statement of financial position.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Leases – Group as a lessee - continued

(b) Lease liabilities - continued

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease or, where that rate cannot be readily determined, the Group uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group elected to present the lease liabilities separately on the face of the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or at fair value through other comprehensive income, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset (debt instrument) to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets (debt instruments) with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets (debt instruments) classified and measured at amortised cost are held within a business model with the objective to hold financial assets (debt instruments) in order to collect contractual cash flows, while financial assets (debt instruments) classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets (debt instruments) which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments and other financial assets - continued

Initial recognition and measurement - continued

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments and other financial assets - continued

Impairment - continued

(a) General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments and other financial assets - continued

Impairment - continued

(b) Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date, using a provision matrix or, for external customers with credit deterioration, assessing on an individual basis. The provision matrix established by the Group is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as financial liabilities at amortised cost, which are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income tax - continued

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Revenue from contracts with customers - continued

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

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset.

Incidental to the sale of analytical and laboratory instruments and life science equipment, the Group also provides installation services in accordance with the terms of the contracts with customers. These services, which are not separately provided by the Group and are bundled together with the sale of analytical and laboratory instruments and life science equipment to a customer, are not identified as separate performance obligations as, in the opinion of the directors, they are not significant in the context of the contract as a whole.

(b) Repair and maintenance services

Revenue from repair and maintenance services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of labour time spent on the services. Given that a repair and maintenance service order is generally completed within a short period of time, the revenue from the provision of the repair and maintenance services is recognised when the services have been rendered.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Post-employment benefits

Defined contribution schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance and other defined contribution schemes in other jurisdictions in which the Group has operations for eligible employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of these defined contribution schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into these schemes.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

These financial statements are presented in Hong Kong dollar, which is different from the Company's functional currency of the United States dollar, because the directors of the Company considered that HK$ enables shareholders and potential investors of the Company to have a more accurate picture of the Group by aligning the Group's financial performance with its share price. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of those subsidiaries whose functional currency is not Hong Kong dollar are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables, by applying ECL rates to different ageing groups of trade receivables. The ECL rate of each ageing group is determined by the Group based on the average of historical incurred credit loss experience on each ageing group in the past years and, where material, adjusted for forward-looking factors specific to the debtors and the economic environment. External customers with credit deterioration will be assessed on an individual basis for the provision of ECLs.

The Group's historical credit loss experience and forecast of economic conditions may not be representative of a customer's actual default in the future and significant management estimates are required in the estimates. When the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of trade receivables and the amount of ECLs provided or reversed in the periods in which such estimates have been changed. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements.

(b) Impairment of inventories

Impairment of inventories is made based on the assessment of net realisable value, which is the amount of the inventories that are expected to realise. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the ageing of inventories, indication of obsolescence and fluctuations of the price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Significant management estimates are required in the estimates. When the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying values of inventories and the amount of impairment/reversal in the periods in which such estimates have been changed.

The net carrying amount of inventories as at 31 December 2021 was HK$6.4 million (2020: HK$21.4 million). Details of nature of inventories are set out in note 17 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their products and services and has two reportable operating segments as follows:

(a) the Distribution Business segment which is engaged in the provision of distribution and after-sales services for different analytical instruments, life science and general laboratory instruments; and

(b) the Supply Chain Business segment which is engaged in the trading of diversified industrial and consumer products.

The chief operating decision maker of the Group ("CODM", identified as the executive directors of the Company and certain senior management) monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, non-lease-related finance costs, depreciation and amortisation, as well as head office and corporate administrative expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment revenue and results

	Distribution Business		Supply Chain Business		Total	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Segment revenue	12,518	55,619	71,588	5,369	84,106	60,988
Segment results	(14,981)	(48,223)	(7,785)	(199)	(22,766)	(48,422)
Interest income					289	498
Interest expenses					(1,292)	(3,200)
Depreciation and amortisation					(1,815)	(1,903)
Corporate administrative expenses					(1,256)	(9,172)
Loss before tax					(26,840)	(62,199)

4. OPERATING SEGMENT INFORMATION - continued

Segment assets and liabilities

Segment assets and liabilities information is not disclosed as it is not regularly reviewed by the CODM.

Geographical information

	2021	2020
	HK$'000	HK$'000
Revenue from external customers:		
PRC (including Hong Kong and Macau)	49,204	60,988
Asia (other than the PRC)	33,651	–
Oceania	1,251	–
	84,106	60,988

The above revenue information is based on the locations of the customers.

No geographical information about the Group's non-current assets is presented as more than 90% of the Group's non-current assets as at 31 December 2021 and 2020 were located in the PRC (including Hong Kong and Macau).

Information about major customers

The revenue generated from sales to each of the customers which individually contributed more than 10% of the Group's total revenue during the year is set out below:

	2021	2020
	HK$'000	HK$'000
Customer A from the Supply Chain Business segment	36,686	N/A*
Customer B from the Supply Chain Business segment	33,651	N/A*
Customer C from the Distribution Business segment#	10,571	24,714

* The corresponding revenue of these customers is not disclosed as they individually did not contribute 10% or more of the Group's total revenue for the relevant year.

\# Messrs. Lo Yat Keung and Chan Wai Shing, both being key management personnel of the Group and connected persons as defined under Chapter 14A of The Rules Governing the Listing of Securities on SEHK (the "Listing Rules") up to 30 September 2019, have beneficial interests in this customer.

5. REVENUE

An analysis of the Group's revenue is as follows:

	2021	2020
	HK$'000	HK$'000
Revenue from contracts with customers		
Sales of goods	84,106	52,947
Repair and maintenance service income	–	8,041
	84,106	60,988

Notes:

(a) Disaggregated revenue information

For the year ended 31 December 2021

	Distribution Business	Supply Chain Business	Total
	HK$'000	HK$'000	HK$'000
Types of goods or services and point of revenue recognition			
Sales of goods, recognised at the point in time	12,518	71,588	84,106
Geographical markets			
PRC (including Hong Kong and Macau)	12,518	36,686	49,204
Asia (other than the PRC)	–	33,651	33,651
Oceania	–	1,251	1,251
Total revenue from contracts with customers	12,518	71,588	84,106

For the year ended 31 December 2020

	Distribution Business	Supply Chain Business	Total
	HK$'000	HK$'000	HK$'000
Types of goods or services and point of revenue recognition			
Sales of goods, recognised at the point in time	47,578	5,369	52,947
Repair and maintenance service income, recognised over time	8,041	–	8,041
Total revenue from contracts with customers	55,619	5,369	60,988
Geographical markets			
PRC (including Hong Kong and Macau)	55,619	5,369	60,988

5. REVENUE - continued

Notes: - continued

(b) The following table shows the amounts of revenue recognised in the current reporting period that were included in contract liabilities at the beginning of the reporting period:

	2021	2020
	HK$'000	HK$'000
Sales of goods	6,561	17,452

(c) No revenue recognised during the years ended 31 December 2021 and 2020 related to performance obligations satisfied or partially satisfied in previous years.

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation for the sale of goods is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Provision of repair and maintenance services

The performance obligation is satisfied over time, using the input method on the basis of labour time spent on the services, and payment is generally due upon completion of the services.

The Group did not have any transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as at 31 December 2021 and 2020.

6. OTHER INCOME AND GAINS

An analysis of the Group's other income and gains is as follows:

	2021	2020
	HK$'000	HK$'000
Other income		
Bank interest income	289	498
Remedy for late payment	66	–
Government subsidies	80	234
	435	732
Gains		
Gain on a lease modification	–	84
Gain on termination of a lease	–	10
	–	94
Other income and gains	435	826

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2021	2020
	HK$'000	HK$'000
Interest on bank loans and bank overdrafts	–	228
Interest on loans from fellow subsidiaries	1,292	1,744
Interest on loans from a shareholder	–	1,228
Interest on lease liabilities	61	92
	1,353	3,292

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2021	2020
		HK$'000	HK$'000
Cost of inventories sold		80,865	57,453
Depreciation of property, plant and equipment	13	641	513
Depreciation of right-of-use assets	14(a)	402	618
Amortisation of computer software*	15	772	772
Lease payments not included in the measurement of lease liabilities		159	278
Auditor's remuneration		2,300	2,300
Employee benefit expense (excluding directors' remuneration (note 9)):			
Salaries, allowances and benefits in kind		4,969	7,000
Defined contribution scheme contributions@		730	967
		5,699	7,967
Foreign exchange differences, net		(760)	715
Write-off of inventories**		11,537	–
Provision for inventories**		–	5,862
Impairment losses of property, plant and equipment**	13	273	–
Impairment losses of computer software**	15	772	–
Impairment losses/(reversal of impairment losses) of financial assets, net:			
Write-off a trade deposit#		–	3,031
Write-off of trade receivables#		609	–
Trade receivables#	18(c)	(5,673)	7,517
Other receivables#	19(e)	474	2,174
		(4,590)	12,722
Loss on disposal of items of property, plant and equipment**		608	285
Charges for warehouse storage and logistic services^		8,160	–
Cost of product warranty service&		–	25,000

* The amortisation of computer software for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

** These items are included in "Other expenses, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

\# These items are included in "Reversal of impairment losses/(impairment losses) of financial assets, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

^ This item is included in "Other expenses, net" on the face of the consolidated statement of profit or loss and other comprehensive income, except for an amount of HK$129,000 which is included in "Cost of sales". The expense was paid to a company in which Messrs. Lo Yat Keung and Chan Wai Shing, both being key management personnel of the Group and connected persons as defined under Chapter 14A of the Listing Rules up to 30 September 2019, have beneficial interests.

& This item is included in "Other expenses, net" on the face of the consolidated statement of profit or loss and other comprehensive income, except for an amount of HK$2,164,000 which is included in "Cost of sales". The expense was paid to a company in which Messrs. Lo Yat Keung and Chan Wai Shing, both being key management personnel of the Group and connected persons as defined under Chapter 14A of the Listing Rules up to 30 September 2019, have beneficial interests.

@ There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021	2020
	HK$'000	HK$'000
Fees	600	600
Other emoluments	–	–
	600	600

An analysis of the directors' remuneration, on a named basis, is as follows:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Defined contribution scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2021					
Executive directors:					
Mr. Yan Jiong	–	–	–	–	–
Mr. Zhang Jing#	–	–	–	–	–
Mr. Jiang Wei	–	–	–	–	–
Ms. Zhao Na	–	–	–	–	–
Mr. He Junyu*	–	–	–	–	–
Mr. Hu Xiangwei^	–	–	–	–	–
Mr. Song Henan^	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors:					
Mr. Shi Fazhen	200	–	–	–	200
Mr. Liu Zongliu	200	–	–	–	200
Mr. Jing Pilin	200	–	–	–	200
	600	–	–	–	600
	600	–	–	–	600

9. DIRECTORS' REMUNERATION - continued

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Defined contribution scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2020					
Executive directors:					
Mr. Yan Jiong	–	–	–	–	–
Mr. Zhang Jing#	–	–	–	–	–
Mr. Jiang Wei	–	–	–	–	–
Ms. Zhao Na	–	–	–	–	–
Mr. He Junyu*	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors:					
Mr. Shi Fazhen	200	–	–	–	200
Mr. Liu Zongliu	200	–	–	–	200
Mr. Jing Pilin	200	–	–	–	200
	600	–	–	–	600
	600	–	–	–	600

^ Appointed as an executive director on 28 July 2021
* Resigned as an executive director on 21 April 2021
# Appointed and resigned as an executive director on 26 June 2020 and 28 July 2021, respectively

Notes:

(a) The above directors' remuneration disclosure only included the remuneration of the directors during the period when they are directors of the Company.

(b) There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2021 and 2020 are neither a director nor chief executive of the Company. Details of the remuneration for the year of the five highest paid non-director employees are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	2,173	2,920
Performance related bonuses	141	108
Defined contribution scheme contributions	123	181
	2,437	3,209

The remuneration of each of the five highest paid non-director employees for each of the years ended 31 December 2021 and 2020 fell within the band of Nil to HK$1,000,000.

11. INCOME TAX

An analysis of the Group's income tax expense is as follows:

	2021	2020
	HK$'000	HK$'000
Current – PRC		
Charge for the year	112	–

Notes:

(a) The income tax expense of the Group is calculated at the respective statutory tax rates prevailing in the relevant jurisdictions.

No provision for Hong Kong profits tax and Macau income tax was made as the Group did not have any assessment profits arising from Hong Kong and Macau for both years.

Under the Law of the PRC on Corporate Income Tax (the "PRC Corporate Income Tax Law") and the Implementation Regulation of the PRC Corporate Income Tax Law, the tax rate applicable to subsidiaries established in the PRC is 25% (2020: 25%).

(b) A reconciliation of the tax credit applicable to loss before tax at the Hong Kong statutory tax rate to the tax expense at the Group's effective tax rate is as follows:

	2021	2020
	HK$'000	HK$'000
Loss before tax	(26,840)	(62,199)
Tax credit at the statutory tax rate of 16.5% (2020: 16.5%)	(4,429)	(10,263)
Lower tax rate enacted by local authority	(66)	–
Income not subject to tax	574	121
Tax losses not recognised	4,033	10,142
Tax expense at the effective tax rate of -0.4% (2020: Nil)	112	–

(c) At 31 December 2021, deferred tax assets have not been recognised in respect of unused tax losses of HK$29,023,946 (2020: HK$22,813,524) as they have been arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, tax losses of HK$21,014,625 (2020: HK$14,813,803) will expire in one to five years.

12. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to shareholders of the Company of HK$26,952,000 (2020: HK$62,199,000), and the weighted average number of ordinary shares of 275,437,000 (2020: 275,437,000) in issue during the year.

No adjustment has been made to the basic loss per share amount presented for each of the years ended 31 December 2021 and 2020 for a dilution as the Group has no potential ordinary shares in issue during these years.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2021					
At 1 January 2021:					
Cost	–	2,792	21	792	3,605
Accumulated depreciation	–	(1,120)	(20)	(575)	(1,715)
Net carrying amount	–	1,672	1	217	1,890
Net carrying amount:					
At 1 January 2021	–	1,672	1	217	1,890
Additions	471	9	247	–	727
Depreciation provided during the year	(22)	(562)	(5)	(52)	(641)
Disposals	–	(855)	–	(176)	(1,031)
Impairment provided during the year (note)	–	(273)	–	–	(273)
Exchange realignment	7	48	4	11	70
At 31 December 2021	456	39	247	–	742
At 31 December 2021:					
Cost	478	996	251	–	1,725
Accumulated depreciation and impairment	(22)	(957)	(4)	–	(983)
Net carrying amount	456	39	247	–	742

13. PROPERTY, PLANT AND EQUIPMENT - continued

	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2020				
At 1 January 2020:				
Cost	2,576	21	1,012	3,609
Accumulated depreciation	(1,232)	(19)	(603)	(1,854)
Net carrying amount	1,344	2	409	1,755
Net carrying amount:				
At 1 January 2020	1,344	2	409	1,755
Additions	762	–	–	762
Depreciation provided during the year	(367)	(1)	(145)	(513)
Disposals	(223)	–	(62)	(285)
Exchange realignment	156	–	15	171
At 31 December 2020	1,672	1	217	1,890
At 31 December 2020:				
Cost	2,792	21	792	3,605
Accumulated depreciation	(1,120)	(20)	(575)	(1,715)
Net carrying amount	1,672	1	217	1,890

Note: Taking into consideration the operating performance of the Distribution Business segment, the management of the Group assessed that certain non-current assets of this segment will no longer be used in near future. Accordingly, impairment losses of HK$273,000 (2020: Nil) and HK$772,000 (2020: Nil) in total have been recognised against the property, plant and equipment and computer software (intangible assets) of the Group during the year, respectively, on the basis that these assets have minimal resale value or are hardly sold in the market.

14. LEASE ARRANGEMENTS AS A LESSEE

The Group has lease arrangements as a lessee for office premises used in its operations. The leases have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the years ended 31 December 2021 and 2020 are as follows:

	Office premises	
	2021	2020
	HK$'000	HK$'000
At 1 January	1,307	2,973
Additions	–	1,299
Depreciation provided during the year	(402)	(618)
Lease modification arising from a change in the non-cancellable period of a lease	–	(1,965)
Termination of a lease	–	(465)
Exchange realignment	31	83
At 31 December	936	1,307

(b) Lease liabilities

The carrying amount of the Group's lease liabilities and the movements during the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
	HK$'000	HK$'000
At 1 January	1,377	3,055
New leases	–	1,299
Accretion of interest recognised during the year	61	92
Payments	(434)	(633)
Lease modification arising from a change in the non-cancellable period of a lease	–	(2,049)
Termination of a lease	–	(475)
Exchange realignment	33	88
At 31 December	1,037	1,377
Portion classified as current liabilities	(274)	(370)
Non-current portion	763	1,007

14. LEASE ARRANGEMENTS AS A LESSEE - continued

(c) Other lease information

The amounts recognised in profit or loss for the years ended 31 December 2021 and 2020 in relation to leases are as follows:

	Notes	2021	2020
		HK$'000	HK$'000
Gain on a lease modification	6	–	84
Gain on termination of a lease	6	–	10
Interest on lease liabilities	7	61	92
Depreciation of right-of-use assets	8	402	618
Expense relating to short-term leases (included in administrative expenses)	8	159	278
Total amount recognised in profit or loss		622	1,082

15. COMPUTER SOFTWARE

	2021	2020
	HK$'000	HK$'000
At 1 January:		
Cost	3,860	3,860
Accumulated amortisation	(2,316)	(1,544)
Net carrying amount	1,544	2,316
Net carrying amount:		
At 1 January	1,544	2,316
Amortisation provided during the year	(772)	(772)
Impairment provided during the year (note 13)	(772)	–
At 31 December	–	1,544
At 31 December:		
Cost	3,860	3,860
Accumulated amortisation and impairment	(3,860)	(2,316)
Net carrying amount	–	1,544

16. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	HK$'000	HK$'000
Unlisted equity investment at fair value:		
Scientifix Pty Ltd.	–	2,388

The above investment is an equity investment in a private company which is incorporated in Australia. The investment was irrevocably designated at fair value through other comprehensive income as the Group considers it to be strategic in nature.

In February 2021, the Group sold its entire equity interest in Scientifix Pty Ltd. to an independent third party at a total cash consideration of Australian Dollars 398,000.

17. INVENTORIES

Inventories of the Group as at 31 December 2021 are stainless steel held for trading by the Supply Chain Business. Prior year inventories were main units, accessories and spare parts of analytical and laboratory instruments and life science equipment, which are held for sale and provision of repair and maintenance services.

18. TRADE RECEIVABLES

	2021	2020
	HK$'000	HK$'000
Trade receivables	78,857	57,937
Impairment (note (c))	(14,752)	(21,477)
	64,105	36,460

Notes:

(a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

18. TRADE RECEIVABLES - continued

Notes: - continued

(b) An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 HK$'000	2020 HK$'000
Less than 90 days	56,000	29,045
91 to 120 days	–	109
121 to 365 days	8,105	1,193
1 to 2 years	–	5,408
Over 2 years	–	705
	64,105	36,460

(c) The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	21,477	31,559
Impairment losses/(reversal of impairment losses), net	(5,673)	7,517
Amounts written off as uncollectible	(1,258)	(18,074)
Exchange realignment	206	475
At 31 December	14,752	21,477

Set out below is the information about the credit risk exposure on the Group's trade receivables, using a provision matrix or, for external customers with credit deterioration, assessing on an individual basis:

At 31 December 2021

	Ageing based on the invoice date			
	Less than 1 year	1 to 2 years	Over 2 years	Total
Effective expected credit loss rate	2.0%	100%	100%	
Gross carrying amount (HK$'000)	65,435	945	12,477	78,857
Expected credit losses (HK$'000)	1,330	945	12,477	14,752

At 31 December 2020

	Ageing based on the invoice date			
	Less than 1 year	1 to 2 years	Over 2 years	Total
Effective expected credit loss rate	0.8%	29.6%	96.4%	
Gross carrying amount (HK$'000)	30,579	7,683	19,675	57,937
Expected credit losses (HK$'000)	232	2,275	18,970	21,477

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2021	2020
		HK$'000	HK$'000
Prepayments	(a)	30,673	88
Deposits and other receivables	(b)	2,612	5,449
Notes receivables		71	7,856
Receivable from a supplier	(c)	62,280	66,164
Due from an intermediate holding company	(d)	–	5
		95,636	79,562
Impairment allowance	(e)	(2,812)	(2,297)
		92,824	77,265

Notes:

(a) Prepayments mainly comprise advance payments for purchase of inventories held for trading, prepaid rental and other expenses.

(b) Deposits and other receivables mainly comprise tendering deposits, performance pledged deposits, rental deposits and value-added tax recoverable.

(c) The amount was due from Techcomp Instrument Limited and its subsidiaries (collectively, the "Techcomp Instrument Group", a group controlled by Messrs. Lo Yat Keung and Chan Wai Shing, who were key management personnel of the Group up to 30 September 2019). The balance is unsecured, interest-free and is repayable on demand.

(d) The amount due from an intermediate holding company is unsecured, non-interest-bearing and repayable on demand.

(e) In respect of the impairment consideration of the Group's other receivables, an impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. At 31 December 2021, the probability of default applied for other receivables ranged from 0.03% to 4.33% (2020: 2.02% to 5.50%) and the loss given default was estimated to be ranged from 57.70% to 61.80% (2020: 55.79% to 57.68%).

In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The movements in the loss allowance for impairment of other receivables and during the year are as follows:

	2021	2020
	HK$'000	HK$'000
At 1 January	2,297	–
Impairment losses	474	2,174
Exchange realignment	41	123
At 31 December	2,812	2,297

Other than those mentioned above, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. At 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

20. CASH AND BANK BALANCES

(a) At 31 December 2021, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$65,330,000 (2020: HK$41,139,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

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

	2021	2020
	HK$'000	HK$'000
Less than 60 days	1,993	5,782
Over 1 year	–	314
	1,993	6,096

The trade payables are non-interest-bearing and are normally settled on terms ranging from 60 days to 90 days.

22. OTHER PAYABLES AND ACCRUALS

	Notes	2021	2020
		HK$'000	HK$'000
Accruals		2,734	2,956
Contract liabilities – customers' deposits	(a)	–	6,561
Other payables	(b)	676	782
Due to a fellow subsidiary	(c)	71	–
		3,481	10,299

Notes:

(a) Contract liabilities include short-term advances received to deliver analytical and laboratory instruments and life science equipment and render repair and maintenance services. The decrease in contract liabilities in 2021 was mainly due to the completion of delivery of goods during the year and no short-term advances received from customers in relation to the sale of goods as at the end of the year. Contract liabilities as at 1 January 2020 amounted to HK$17,452,000.

(b) Other payables are non-interest-bearing and have an average term of three months.

(c) The amount due to a fellow subsidiary is unsecured, interest-free and has no fixed term of repayment.

23. LOANS FROM FELLOW SUBSIDIARIES

The loan balances as at 31 December 2021 included:

(i) a loan obtained from a fellow subsidiary, YEIG International Consulting (Beijing) Co., LTD. ("YEIG"), pursuant to a loan agreement dated 24 November 2021 entered into between the two parties with a total loan facility of RMB50,000,000. The loan is unsecured, bears interest at the rate of 4% per annum and has a maturity date of 23 November 2022, which could be repaid before the maturity date as mutually agreed between the two parties. During the year ended 31 December 2021, a total of RMB50,000,000 was drawdown by the Group. As at 31 December 2021, the outstanding balance under this loan facility including interest payable of RMB60,000 amounted to RMB50,060,000 (equivalent to HK$61,228,000); and

(ii) a loan advanced to the Group from another fellow subsidiary, YEIG International Engineering Co., Ltd, pursuant to a loan agreement dated 12 November 2021 entered into between the two parties with a total loan facility of RMB20,000,000. The loan is unsecured, bears interest at the rate of 4% per annum and has a maturity date of 11 November 2022, which could be repaid before the maturity date as mutually agreed between the two parties. During the year ended 31 December 2021, a total of RMB20,000,000 was drawdown by the Group and of which RMB10,000,000 had been repaid during the current year. As at 31 December 2021, the outstanding balance under this loan facility including interest payable of RMB101,000 amounted to RMB10,101,000 (equivalent to HK$12,365,000).

The loan balance as at 31 December 2020 was a loan advanced to the Group from YEIG, pursuant to a loan agreement dated 25 August 2020 entered into between the two parties with a total loan facility of RMB100,000,000 (equivalent to HK$118,816,000). The loan is unsecured, bears interest at the rate of 5% per annum and has a maturity date of 25 August 2021, which could be repaid before the maturity date as mutually agreed between the two parties. On 24 August 2021, both parties entered into a supplementary borrowing agreement, in which the borrowing period extended for a year from 1 September 2021 to 31 August 2022, the extended loan bears interest at the rate of 6% per annum, which could be repaid before the maturity date as mutually agreed between the two parties. The loan was fully repaid on 26 November 2021.

The above loan arrangements with fellow subsidiaries constitute exempted connected transactions under Chapter 14A of the Listing Rules.

24. SHARE CAPITAL

Shares

	2021	2020
	HK$'000	HK$'000
Authorised:		
800,000,000 ordinary shares of US$0.05 each	312,000	312,000
Issued and fully paid:		
275,437,000 ordinary shares of US$0.05 each	107,420	107,420

Share option scheme

On 9 June 2011, the Company adopted a share option scheme (the "2011 Share Option Scheme"). The purpose of the 2011 Share Option Scheme was to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the Group, and to encourage eligible participants to perform their best in achieving goals of the Group.

Directors (including non-executive directors and independent non-executive directors) and employees of the Group are eligible to participate in the 2011 Share Option Scheme.

The 2011 Share Option Scheme shall be in force up to a maximum period of 10 years from the date on which the 2011 Share Option Scheme was adopted and may continue beyond the stipulated period with the approval of shareholders by way of an ordinary resolution in a general meeting and of such relevant authorities which may then be required.

The options that are granted under the 2011 Share Option Scheme may have exercise prices that are the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by SEHK or SGX-ST (whichever is higher) on the offer date of such options, which must be a business day; and (ii) the average of the closing prices of the shares of the Company as stated in the daily quotations sheets issued by SEHK or SGX-ST for the five consecutive business days immediately preceding the offer date of such options (whichever is higher).

Where the options are granted to the controlling shareholders and their associates, (i) the aggregate number of shares of the Company available to the controlling shareholders and their associates shall not exceed 25% of the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (ii) the aggregate number of shares of the Company available to each controlling shareholder or his associate shall not exceed 10% of the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; and (iii) separate approval of independent shareholders shall be obtained for each participant in respect of this participation and the number of shares of the Company comprised in the options to be granted to him and the terms.

24. SHARE CAPITAL - continued

Share option scheme - continued

The number of shares of the Company comprised in any option to be offered to a participant in the 2011 Share Option Scheme shall be determined at the absolute discretion of the remuneration committee of the Company. The total number of shares of the Company issued and to be issued upon exercise of the options granted to such participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue under the 2011 Share Option Scheme. Upon acceptance of the option, the grantee shall pay Singapore dollar 1.00 to the Company by way of consideration for the grant of the option.

The 2011 Share Option Scheme expired on 9 June 2021. There was no share option outstanding under the 2011 Share Option Scheme as at and during the years ended 31 December 2021 and 2020.

Share award scheme

On 11 January 2017, the Company adopted a share award scheme. Pursuant to the share award scheme, existing shares of the Company will be purchased by a trustee of the Company from the market out of cash contributed by the Group and be held in trust for the selected participants until such shares are vested with the selected participants in accordance with the provisions of the scheme. When the selected participant has satisfied all vesting conditions specified by the board of directors of the Company at the time of making the award and becomes entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that qualifying person.

The purposes of the share award scheme are to recognise the contributions by the Group's employees, executives, officers or directors and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

During the years ended 31 December 2021 and 2020, no shares of the Company were acquired by the trustee and no share awards were granted.

25. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Capital and other reserves comprise:

   (i) the difference between the combined share capital of the entities in the merged group and the share capital of the Company arising from a group reorganisation undertaken in 2004; and

   (ii) effects of changes in ownership interests in subsidiaries when there is no change in control.

(c) Reserve funds are non-distributable and represent the reserve fund and enterprise expansion fund of subsidiaries in the PRC that can be used to offset prior years' losses or be converted into capital, provided such conversion is approved by a resolution at a shareholders' meeting.

26. DEREGISTRATION OF A SUBSIDIARY

During the year ended 31 December 2021, the Group applied to deregister a wholly owned subsidiary, 天美(天津)國際貿易有限公司. The deregistration was completed on 4 February 2021 and resulted in a gain on deregistration of a subsidiary of HK$2,107,000. There was no cash flow in relation to the deregistration of the subsidiary.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Save as disclosed in note 26 regarding the deregistration of a subsidiary in 2021 and in note 14 regarding non-cash additions to right-of-use assets and lease liabilities of HK$1,299,000 each in 2020. The Group did not have other major non-cash transactions of investing and financing activities during the years ended 31 December 2021 and 2020.

(b) Changes in liabilities arising from financing activities

	Bank borrowings (including bank overdrafts)	Loans from fellow subsidiaries	Interest payable	Loan from a shareholder	Lease liabilities
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	8,698	–	–	183,349	3,055
New leases	–	–	–	–	1,299
Revision of a lease term and termination of a lease	–	–	–	–	(2,524)
Changes from financing cash flows	(8,698)	20,779	(228)	(184,577)	(633)
Interest expense	–	1,744	228	1,228	92
Exchange realignment	–	1,276	–	–	88
At 31 December 2020 and 1 January 2021	–	23,799	–	–	1,377
Changes from financing cash flows	–	47,068	–	–	(434)
Interest expense	–	1,292	–	–	61
Exchange realignment	–	1,434	–	–	33
At 31 December 2021	–	73,593	–	–	1,037

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS - continued

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2021	2020
	HK$'000	HK$'000
Within operating activities	220	464
Within financing activities	434	633
	654	1,097

28. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2021	2020
		HK$'000	HK$'000
Interest paid and payable on a loan from the immediate holding company	(i)	–	1,228
Interest paid and payable on loans from fellow subsidiaries	(ii)	1,292	1,744
Consultancy service expenses to a fellow subsidiary	(iii)	185	–

Notes:

(i) The loan was advanced to the Group from Baodi pursuant to a loan agreement dated 25 June 2019 entered into between the two parties with a total loan facility of HK$936,000,000. The loan was unsecured, bore interest at the rate of 7% per annum and had a maturity date of 26 June 2022, which could be extended from time to time as mutually agreed between the two parties on or before the maturity date. The loan was fully repaid on 30 December 2020. The loan from the immediate holding company is an exempted connected transaction as defined under Chapter 14A of the Listing Rules.

(ii) Details of the loans from fellow subsidiaries are set out in note 23 to the financial statements. The loans from fellow subsidiaries is an exempted connected transaction as defined under Chapter 14A of the Listing Rules.

(iii) The expenses were paid for the management consultancy service rendered by YEIG, a fellow subsidiary. The management consultancy services rendered by the fellow subsidiary are exempted connected transactions as defined under Chapter 14A of the Listing Rules.

28. RELATED PARTY DISCLOSURES - continued

(b) Outstanding balances with related parties:

The Group had loans from fellow subsidiaries of HK$73,593,000 as at 31 December 2021, and the amounts are unsecured and bear interest at the rate of 4% per annum, as further detailed in note 23 to the financial statements.

Details of the Group's amount due from an intermediate holding company included in prepayments, deposits and other receivables are disclosed in note 19 to the financial statements.

Details of the Group's amount due to a fellow subsidiary included in other payables and accruals are disclosed in note 22 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2021 HK$'000	2020 HK$'000
Short term employee benefits	932	1,497
Post-employment benefits	18	27
Total compensation paid to key management personnel	950	1,524

Further details of directors' emoluments are included in note 9 to the financial statements.

29. FINANCIAL INSTRUMENTS BY CATEGORY

Other than an equity investment being designated as a financial asset at fair value through other comprehensive income, all financial assets and liabilities of the Group as at 31 December 2021 and 2020 are classified as financial assets and liabilities at amortised cost, respectively.

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the fair values of financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value measurement of the Group's equity investment at fair value through other comprehensive income as at 31 December 2020 used significant unobservable inputs (Level 3 of the fair value hierarchy).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include cash and bank balances, trade and other receivables, an equity investment, trade and other payables and loans from fellow subsidiaries. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure that appropriate risk management measures are implemented in a timely and effective manner.

Market risk

(i) Foreign exchange risk

The Group has sales and purchases denominated in foreign currencies, which exposes the Group to foreign currency risk. The Group's sales and purchases are principally transacted in the United States dollars and Renminbi. Expenses incurred are generally denominated in Hong Kong dollars and Renminbi, which are the functional currencies of the group entities operating in Hong Kong and the PRC, respectively.

The carrying amounts of the major monetary assets and monetary liabilities denominated in a foreign currency, other than the functional currencies of the respective group entities, at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Renminbi	227	1,007	–	–
Euro	–	134	–	–
Japanese Yen	–	235	–	115

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in a foreign currency and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis excludes balances which are denominated in the United States dollars for entities with Hong Kong dollars as their functional currencies since the United States dollars are pegged to Hong Kong dollars.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Market risk - continued

(i) Foreign exchange risk - continued

Sensitivity analysis - continued

If the relevant foreign currency weakens by 5% against the functional currency of each group entity loss before tax will decrease by:

	2021	2020
	HK$'000	HK$'000
Renminbi	(11)	(50)
Euro	–	(7)
Japanese Yen	–	(6)
Others	(21)	(12)

If the relevant foreign currency strengthens by 5%, there would be an equal but opposite impact on loss before tax.

(ii) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to bank deposits and the Group considered that the Group's exposure to cash flow interest rate risk is insignificant.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Credit risk

The Group trades only with recognised and creditworthy third parties, mainly private entities, manufacturers and wholesalers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification:

At 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	78,857	78,857
Financial assets included in prepayments, deposits and other receivables					
– Normal**	171	62,280	2,512	–	64,963
Cash and bank balances					
– Not yet past due	103,122	–	–	–	103,122
	103,293	62,280	2,512	78,857	246,942

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Credit risk - continued

At 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	57,937	57,937
Financial assets included in prepayments, deposits and other receivables					
– Normal**	74,025	5,449	–	–	79,474
Cash and bank balances					
– Not yet past due	115,736	–	–	–	115,736
	189,761	5,449	–	57,937	253,147

* For trade receivables to which the Group applies the simplified approach for impairment, which is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Liquidity risk - continued

Liquidity and interest risk analyses

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 year or repayable on demand	1 year to 5 years	Undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2021					
Trade payables	–	1,993	–	1,993	1,993
Other payables	–	676	–	676	676
Loans from fellow subsidiaries	4.00	76,207	–	76,207	73,593
Lease liabilities	4.75	287	837	1,124	1,037
		79,163	837	80,000	77,299
At 31 December 2020					
Trade payables	–	5,782	314	6,096	6,096
Other payables	–	782	–	782	782
Loan from a fellow subsidiary	5.00	24,987	–	24,987	23,799
Lease liabilities	4.75-5.10	430	1,184	1,614	1,377
		31,981	1,498	33,479	32,054

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debts, which include the loans from fellow subsidiaries disclosed in note 23 to the financial statements and equity attributable to shareholders of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall structure through the payment of dividends, issues of new shares and share buy-backs as well as the issue of new debts or the redemption of existing debts.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021	2020
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	208,708	268,640
CURRENT ASSETS		
Trade receivables	1,250	–
Other receivables	98	–
Due from subsidiaries	90,078	8,001
Due from an intermediate holding company	–	5
Cash and bank balances	34,583	72,475
Total current assets	126,009	80,481
CURRENT LIABILITIES		
Trade payables	1,167	–
Other payables and accruals	3,380	3,295
Due to subsidiaries	152,418	100,370
Total current liabilities	156,965	103,665
NET CURRENT LIABILITIES	(30,956)	(23,184)
Net assets	177,752	245,456
EQUITY		
Issued capital	107,420	107,420
Reserves (note)	70,332	138,036
Total equity	177,752	245,456

Note: A summary of the Company's reserves is as follows:

	Share premium account	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	143,392	3,071	(584)	145,879
Loss for the year and total comprehensive loss for the year	–	–	(7,843)	(7,843)
At 31 December 2020 and 1 January 2021	143,392	3,071	(8,427)	138,036
Loss for the year and total comprehensive loss for the year	–	–	(67,704)	(67,704)
At 31 December 2021	143,392	3,071	(76,131)	70,332

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2022.

FINANCIAL **SUMMARY**

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's audited consolidated financial statements and the annual report for the year ended 31 December 2020 is set out below:

RESULTS

	Year ended 31 December				
	2017	**2018**	**2019**	**2020**	**2021**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue	1,134,900	634,414	311,473	60,988	84,106
Profit/(loss) before tax from the continuing operations	104,606	(9,174)	(19,618)	(62,199)	(26,840)
Income tax	(3,666)	–	(174)	–	(112)
Profit/(loss) for the year from continuing operations	100,940	(9,174)	(19,792)	(62,199)	(26,952)
Loss for the year from discontinued operations	(93,249)	(65,051)	–	–	–
Profit/(loss) for the year	7,691	(74,225)	(19,792)	(62,199)	(26,952)
Profit/(loss) for the year attributable to:					
Shareholders of the Company	10,413	(73,213)	(19,792)	(62,199)	(26,952)
Non-controlling interests	(2,722)	(1,012)	–	–	–
	7,691	(74,225)	(19,792)	(62,199)	(26,952)

ASSETS AND LIABILITIES

	As at 31 December				
	2017	**2018**	**2019**	**2020**	**2021**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total assets	1,293,653	543,889	510,952	258,062	268,129
Total liabilities	(653,156)	(245,727)	(230,259)	(41,571)	(80,104)
Net assets	640,497	298,162	280,693	216,491	188,025
Equity attributable to shareholders of the Company	650,130	298,162	280,693	216,491	188,025
Non-controlling interests	(9,633)	–	–	–	–
Total equity	640,497	298,162	280,693	216,491	188,025