SuperRobotics Holdings Limited
超人智能控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8176

2021
Annual Report

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This annual report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.superrobotics.com.hk.

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COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Su Zhituan *(Chairman)*
Mr. Sun Ziqiang *(Vice-Chairman)*
(Resigned on 30 December 2021)

Non-executive Directors

Mr. Fan Yu

Independent non-executive Directors

Mr. Tam B Ray, Billy
Mr. Chu Kin Wang, Peleus
(resigned on 30 November 2021)
Dr. Wang Dangxiao *(resigned on 30 December 2021)*
Ms. Han Xiao *(appointed on 30 November 2021)*
Ms. Zhao Yang *(appointed on 30 December 2021)*

COMPANY SECRETARY

Mr. Yang Chuen Liang, Charles

COMPLIANCE OFFICER

Mr. Su Zhituan

AUDITOR

Elite Partners CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

AUTHORISED REPRESENTATIVES

Mr. Su Zhituan
Mr. Sun Ziqiang *(resigned on 30 December 2021)*
Mr. Fan Yu *(appointed on 30 December 2021)*

REMUNERATION COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
(resigned on 30 November 2021)
Mr. Su Zhituan
Dr. Wang Dangxiao *(resigned on 30 December 2021)*
Ms. Han Xiao *(Chairman)*
(appointed on 30 November 2021)
Ms. Zhao Yang *(appointed on 30 December 2021)*

AUDIT COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
(resigned on 30 November 2021)
Mr. Tam B Ray, Billy
Dr. Wang Dangxiao *(resigned on 30 December 2021)*
Ms. Han Xiao *(Chairman)*
(appointed on 30 November 2021)
Ms. Zhao Yang *(appointed on 30 December 2021)*

NOMINATION COMMITTEE

Mr. Chu Kin Wang, Peleus *(Chairman)*
(resigned on 30 November 2021)
Mr. Tam B Ray, Billy
Mr. Su Zhituan
Ms. Han Xiao *(Chairman)*
(appointed on 30 November 2021)

PRINCIPAL BANKERS

China CITIC Bank International Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1405, 14/F.,
China Merchants Tower, Shun Tak Centre,
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

LEGAL ADVISORS

As to Hong Kong Law
Michael Li & Co

As to Bermuda Law
Conyers Dill and Pearman

WEBSITE

www.superrobotics.com.hk

STOCK CODE

8176

CHAIRMAN'S STATEMENT

Dear Shareholders,

I present herewith the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "**Year**").

The global economy still faced unprecedented challenges in 2021 as a result of the severe impact of the coronavirus diesease ("**COVID-19**") epidemic. The Group has adopted various prevention and control measures in accordance with the relevant national and local regulations on epidemic prevention and control in compliance with the national epidemic prevention policies. At present, the COVID-19 control measures in the People's Repulic of China ("**China**") have achieved substantial success and quelled effectively the spread of COVID-19 in the country. However, while the economy has stabilized in many areas of China, due to the promotion of COVID-19 vaccines, we are cautiously optimistic about the direction and scope of China's full recovery. The development of the smart robots business has always been affected by factors such as recurring epidemics and tight supply chains, resulting in cost pressures, prolonged material cycles, and the accumulation of orders in the robot business, which has exerted enormous pressure on the performance of the robot business.

For the engineering products, the Group continues to provide research and development, design, production and sales for intelligent robots and automation systems with multi-applications. Keeping in pace with the times, the Group has continuously launched self-branded service robots, patrol robots, special robots, inspection robots, distribution robots and other products, which are widely used in airports, ports, property communities, exhibition halls, government services, smart communities, special operations and other fields to empower and serve users with intelligent robots and rich intelligent application solutions, and discover the in-depth value of artificial intelligence constantly. The research and development center, industrial base and sales center in Shenzhen, China established by the Group will also continue to promote the popularization and promotion of robot products with China's independent intellectual property rights and core technologies.

In 2021, in order to focus on the intelligent equipment and intelligent engineering business as the Group's principal business, the Group's sale of beauty products and provision of therapy services (collectively the "**Beauty Business**") have been stripped from the Group's business. Although the epidemic has been basically under control, sporadic cases have recurred in several parts of China from time to time, and the periodic impact generated thereunder on the business development of the Group in some regions cannot be ignored. The public health and safety crisis has not only made it more difficult for the Group to connect with customers, conduct on-site inspection, deployment and training, and other specific operations, but also created certain obstacles to pre-sale and in-sale links of the Company. Especially in terms of communication with overseas customers, for example, in order to expand our business with customers in Hong Kong and Southeast Asia, the Company often needs to increase communication costs significantly for technical exchanges.

Nonetheless, 2021 was a year of both challenge and hope. Countries and regions around the world have been proactively researching and exploring how to transition from economic restart in the post-epidemic era to economic normalization. The current digitalization process in society is accelerating and the coverage of information services is further extended. Facing the COVID-19 epidemic, digitalized economy has rebounded and moved further ahead with robust development, and the value of data resources in the operation and management of various industries is further demonstrated. Guided by the national "new infrastructure" strategy, the 5G construction was in full swing and had entered into its "fast track" development, and operators were accelerating the integration of cloud-network. Therefore, the Group closely leveraged on the development trend of the 5G era, vigorously promoted the business integration in several segments, continued to enhance AR+AI technology and service advantages, and provided strong support for its business development. The Group has also continued to increase its business development efforts. With compliance and abundant data resources, innovative and leading new technologies and digital products based on business scenarios, the Group cooperates with customers and strategic partners in key industries to achieve precise marketing, intelligent operation, quality and efficiency improvement, and give full play to the value of digitalization.

During the Year, Anzer Intelligent Robot ("**Anzer Intelligent**"), a subsidiary of the Group, carried out in-depth cooperation with industry-leading AI manufacturers. In May 2021, Anzer Intelligent cooperated with CloudWalk Technology Co., Ltd. ("**CloudWalk**"), a company which has world-leading and self-controllable core technologies. The intelligent customs AI system provided by CloudWalk is deeply connected to our customized robot products which realize the application of inspection and auxiliary robots in custom scenarios. Relying on 5G technology and innovative application of AR+AI technology, customs clearance efficiency, automation and intelligence have been significantly improved. In September 2021, Anzer Intelligent cooperated with Shenzhen IntelliFusion Technology Co., Ltd ("**IntelliFusion**"), a company which focuses on the field of visual artificial intelligence. Relying on the analysis of video data by IntelliFusion's professional deep learning algorithm, the deeply customized robot products we provided were applied in the community and city management. With the advantages of strong obstacle avoidance ability, long duration, humanization enforcement and wide expansion space, these products can help to improve "intelligence" management at the basic level.

At the same time, the Group's robot products have continued to expand in the real estate industry and have made their mark on the international stage. The commercial security patrol robot has achieved cooperation opportunities with real estate companies like Central China Real Estate Ltd., Jinke Property Group Co., Ltd. and Hopson Development Holdings Limited and has been put into application. With the broader application scenarios of security patrol robots, this product is not only favored by domestic customers, but also well received by foreign customers. In the Southeast Asian and Hong Kong markets, security patrol robots have also been applied successfully. In March 2021, a major customer, who cooperates with Anzer Intelligent, has secured cooperation opportunities with a shopping mall in Bangkok, Thailand. In April 2021, the customized security patrol robot provided by Anzer Intelligent was applied at Hong Kong International Airport. These broad application scenarios not only mark the first step for the Group's security patrol robot to be applied in the international market, but also lay a good foundation for the international market expansion of subsequent products.

CHAIRMAN'S STATEMENT

The Group's robot products also recorded outstanding results in respect of professional skills. At a national large-scale special robot contest in October 2021, Anzer Intelligent's EOD robot, with its excellent performance in detection and identification, smooth transfer, effective destruction of explosives in complex environments and great comprehensive explosive disposal capability in simulation scearios, won first place in the unmanned EOD operation subject and combined second place in the unmanned EOD group. The strength of the intelligent EOD robot has received official recognition.

As a high-tech enterprise specializing in research and development, design, production and sales of intelligent robots and intelligent systems in multiple application fields, the Group has always practiced the concept of "science and technology serve mankind, intelligence changes lives", and continued to enhance our R&D innovation capabilities and technology-driven capabilities, increased the innovation and R&D efforts in emerging businesses, built high-quality products, and empowered vertical industries and ecological partners. The Group will continue to explore diversified cooperation methods to strengthen and deepen cooperation with all parties in the industry, and jointly explore development opportunities to achieve complementary resource sharing and win-win cooperation. The Group will continue to empower and serve users with intelligent robots and rich intelligent application solutions, and explore the profound value of artificial intelligence.

Lastly, I would like to thank our board of Directors (the "**Board**"), management and staff for their contribution to the Group. I would also like to extend my sincere gratitude to our shareholders, business partners, customers and suppliers for their continuous support.

Su Zhituan
Executive Director and Chairman

20 May 2022, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Due to increased competition and the once-in-a-century COVID-19 epidemic, the performance of the Beauty Business as a whole faced unprecedented challenges. The revenue derived from the Beauty Business decreased significantly in 2021.

On 30 June 2021, China Honest Enterprise Limited ("**CHEL**"), an indirect non-wholly owned subsidiary of the Company, entered into a Deed of Assignment and Novation (the "**Novation**"), to transfer all of the obligations and liabilities under the contracts (the "**Contracts**") with the customers in the Beauty Business to an independent third party, Collagen Plus Company Limited ("**CPCL**"). CHEL also agreed to assign all of its rights, benefits and interests (including the prepayments) in the Contracts to CPCL. After completion of the Novation, the Beauty Business has been discontinued with effect from 30 June 2021 (the "**Discontinued Operations**"). Details of the Novation was set out in the Company's announcement dated 30 June 2021.

For the engineering products, the Group mainly offers robotic products. For the provision of engineering related services, the Group provides equipment installation, support and maintenance services for robotics and automation systems (collectively, the "**Engineering Business**").

For the Engineering Business, during the Year, the Group continued to develop and improve its robotic products. The Group has also driven the commercialization of its products at a steady pace through domestic platforms, upon which large-scale of civil application can be expected. For the Year, the revenue of the Engineering Business has decreased by 18.9% and contributed a total revenue of approximately HK$18.5 million to the total turnover of the Group.

FINANCIAL REVIEW

For the Year, the Group recorded a turnover of approximately HK$18.5 million, representing a decrease of approximately 18.9% as compared with the corresponding period in 2020 (for the financial year ended 31 December 2020: approximately HK$22.8 million) from the Engineering Business.

For the Year, the gross profit was approximately HK$5.3 million (for the financial year ended 31 December 2020: gross loss was approximately of HK$14.9 million) and the gross profit margin was approximately 28.9% (for the financial year ended 31 December 2020: gross profit margin of 65.6%).

For the Year, other income was approximately HK$17.5 million (for the financial year ended 31 December 2020: approximately HK$2.9 million). The other income was mainly attributable to wavier of directors' remuneration accrued in previous years of approximately HK$14.2 million and sundry income of approximately HK$3.1 million, which mainly consists of government grants received during the Year.

For the Years, other gain and losses (net) was approximately gain HK$15.0 million (for the financial year ended 31 December 2020: approximately losses HK$27.6 million). The mainly consists of gain on modification of financial liabilities of approximately HK$17.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The selling and distribution costs for the Year was approximately HK$5.8 million (for the financial year ended 31 December 2020: approximately HK$8.3 million), representing a decrease of approximately 31.1% over the corresponding period in 2020. Such decrease was mainly attributed to the decrease in staff cost.

The administrative expenses for the Year was approximately HK$41.4 million (for the financial year ended 31 December 2020: approximately HK$75.3 million). The administrative expenses mainly consist of depreciation expense of HK$1.6 million (for the financial year ended 31 December 2020: approximately HK$6.1 million), employee related expense of approximately HK$17.0 million (for the financial year ended 31 December 2020: approximately HK$43.1 million), research and development expense of approximately HK$3.1 million (for the financial year ended 31 December 2020: approximately HK$3.0 million), Director's remuneration of approximately HK$9.5 million (for the financial year ended 31 December 2020: approximately HK$11.6 million) and other administrative expense of approximately HK$10.2 million (for the financial year ended 31 December 2020: approximately HK$11.5 million).

The finance costs for the Year was approximately HK$24.1 million (for the financial year ended 31 December 2020: approximately HK$11.9 million) and was mainly attributable to interest on other borrowings.

The consolidated loss amounted to approximately HK$50.5 million for the Year (for the financial year ended 31 December 2020: approximately HK$131.9 million) and was incurred and generated by the Engineering Business and general corporate activities.

Discontinued operation

The operation of the Beauty Business was discontinued during the Year.

Loss for the year from the discontinued operation was approximately HK$17.5 million (for the financial year ended 31 December 2020: approximately HK$1.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had a total secured borrowing of approximately HK$110.9 million, which was secured by equity shares of a non-wholly owned subsidiary indirectly held by the Company and interest bearing at fixed interest rate ranging from 15.0% to 18.0%. The Group also had unsecured borrowings of approximately HK$21.7 million, which interest bearing at fixed interest rate ranging from 5% to 18%.

The total secured and unsecured borrowings of the Group is approximately HK$132.6 million, out of which approximately HK$72.6 million will mature within one year, approximately HK$60.0 million will mature between two to five years.

Approximately HK$21.7 million of the borrowings are denominated in Hong Kong dollar and approximately HK$110.9 million of the borrowings are denominated in Renminbi.

As at 31 December 2021, the Group had total assets of approximately HK$46.0 million (31 December 2020: approximately HK$141.2 million), including cash and cash equivalents of approximately HK$20.8 million (31 December 2020: approximately HK$58.0 million).

CAPITAL STRUCTURE

As at 31 December 2021, the total issued share capital of the Company was approximately HK$50,622,000 (31 December 2020: approximately HK$50,622,000) divided into 506,219,666 (31 December 2020: 506,219,666) ordinary shares of HK$0.1 each.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM ISSUANCE OF ORDINARY SHARES

Net proceeds from the subscription of 21,000,000 new shares of the Company which was completed on 4 August 2017 were HK$130.0 million. The use of proceeds is as follows:

Intended use	Net proceeds *'million*	Utilisation up to 31 December 2018 *'million*	Utilisation up to 31 December 2019 *'million*	Utilisation up to 31 December 2020 *'million*	**Utilisation up to 31 December 2021** ***'million***	Remaining balance *'million*
Construction of production plants	38.3	27.9	35.6	38.3	**38.3** *(Note)*	—
General working capital	91.7	80.0	80.0	80.0	**91.7**	—
	130.0	107.9	115.6	118.3	**130.0**	—

Note: During the year ended 31 December 2021, the Company had reallocated the remaining balance of approximately HK$11.7 million from construction of production plants to general working capital. The outbreak of novel coronavirus disease (COVID-19) pandemic have all affected the global social and economic environments. As the management was of the view that the current production capacity of the Group could meet the contractual demands of customers, there was no urgent need to expand the Group's production capacity. The reallocation of the unutilised net proceeds should be appropriately adjusted to better cope with the current economic conditions and future challenges brought by COVID-19.

GEARING RATIO

The gearing ratio, expressed as a percentage of total borrowings to capital deficiencies attributable to owners of the Company, was approximately 244% (31 December 2020: approximately 636%). The increase in the gearing ratio is due to the increase in other borrowings.

PLEDGE OF ASSETS

As at 31 December 2021, the Group's restricted bank deposits of approximately HK$Nil million (as at 31 December 2020: approximately HK$19.0 million) were deposits held at a bank in respect of credit card and instalment sales arrangements for the Beauty Business.

The Group pledged equity share of a non-wholly owned subsidiary to secure other borrowings as at 31 December 2021 and 2020.

FOREIGN EXCHANGE RISK

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risks. However, the Group's management closely monitors the exposures and will consider hedging the exposures when in need.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 December 2021, the Group had 77 employees (as at 31 December 2020: 134 employees). Total staff costs including Directors' emolument for the Year amounted to approximately HK$38.0 million (for the financial year ended 31 December 2020: approximately HK$65.1 million). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme, the employees in the PRC joined the national statutory social security insurance scheme and the employees in Canada joined the government-mandated retirement plan.

SIGNIFICANT INVESTMENT

The Group did not make any significant investment during the Year.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES

The Group did not make any material acquisition or disposal of subsidiaries, associates or affiliated companies during the Year.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets for the coming year.

SUBSEQUENT EVENT

On 19 April 2022, the Group entered into a settlement agreement (the "**Settlement Agreement**") with the Former Auditors in which the Former Auditors agreed to compensate the Group with the amounts of approximately HK$19,800,000 (inclusive of all interest and costs) (the "**Compensation**"). The Compensation will be received by instalments which HK$12,000,000 will be received within 20 business days from the Settlement Agreement and the remaining balance will be by relevant instalments. The Company will receive approximately of HK$4,978,000 (net of all interest and costs).

Subsequent to the end of the reporting period, the Group further advance of HK$1,886,000 and HK$4,947,000 from Facility I and Facility II respectively. The loan will be repayable after 4 year for Facility I and 2 years for Facility II from respective drawdown date and interest bearing at 15% for Facility I and 18% for Facility II per annum respectively.

On 3 May 2022, the Group received advance of HK$1,400,000 from a company controlled by Mr. Su. The loan will be repayable after 2 years from drawdown date and interest-free.

INDUSTRY OUTLOOK

In 2022, it is the norm for society to fight against the COVID-19 epidemic and thus the impact of it is diminishing gradually. Driven by the epidemic, more and more industries have begun to use intelligent robots, which has promoted the development of robot, and the structural divergence trend in terms of market demand is increasingly obvious. Firstly, the break out of new energy has become an important driving force for the development of industrial robots. Secondly, increasing investment in the electronics industry will provide continuous force for the growth of robots. Thirdly, affected by the COVID-19 epidemic, many industries have sped up the rate of replacing human labor with machines, such as industries of metal processing , medical supplies, food and beverage, household appliances, etc.. It is estimated that the annual sales growth rate of China's robot market is around 15%-20%, and the localization rate is steadily increasing, which is expected to exceed 41% in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

In China, the robotics industry has gained strategic attention at the national level and it will achieve further development benefit by favorable policies. In December 2021, 15 departments including the Ministry of Industry and Information Technology, the National Development and Reform Commission, and the Ministry of Science and Technology officially issued the "Fourteenth Five-Year Plan for the Robotics Industry", proposing that during the "Fourteenth Five-Year Plan" period, a number of core robot technologies and high-end products will be promoted to make breakthroughs, the comprehensive indicators of whole machines will reach international advanced levels, and the performance and reliability of key components will reach a level similar to international products. The annual average growth rate of the robotics industry operation income will exceed 20%. A batch of leading enterprises with international competitiveness and a large number of specialized and new "Small Technology Giants" enterprises with strong innovative abilities and good growth potential will stand out, to build three to five industrial clusters with international influence. The density of manufacturing robot doubled. In April 2021, the "Fourteenth Five-Year Plan for Intelligent Manufacturing Development" also proposed to take actions to innovate and develop the intelligent manufacturing equipment and promote the development of innovative products such as intelligent mobile robots and semiconductor robots. As a result, the direction for Group's future development and its prospects are clearer.

Under the dual promotion of government capital and social capital, various AI technologies have been brought out from the labs to society. They penetrated in various fields of industries at a faster pace, and were widely applied in intelligent robot, finance, security, search, education and other fields. Driven by the new generation of artificial intelligence, venture capital into the AI investment market has grown steadily, and the investment value reached $9.3 billion in 2018. In 2021, enterprises in the intelligent robotics industry are widely favored by the capital. In the past ten years, the investment and financing of the industry has exceeded $100 billion. Financed by major investment institutions, a large number of robotics industry companies have greatly expanded their recruitment, increased R&D investment and marketing expenses, driving the continuous expansion of the robotics industry. It is estimated that the AI market will bring 14% additional increase in global GDP, representing $1.57 billion. Due to the huge market potential, robot products have gained huge exposure and have widely penetrated in market. In addition, the corporate customers' understanding and awareness of the industry have been significantly improved, resulting in the emergence of many high-quality companies and independent brands in the industry. However, certain unreasonable venture capital activities have intensified the fierce competition in the industry and the expansion of the industry scale, resulting in a great waste of resources. The application of artificial intelligence and robot technology in daily life needs more comprehensive test, and the business model needs further exploration to prove the sustainability of the business. The Group calls on all market participants, including peer companies and investment institutions, to actively take responsibility for the market.

According to the Report on the Development of the Robotics Industry in China for 2021, China's intelligent robot market in 2021 was expected to reach RMB83.9 billion, among which, the industrial robot market reached RMB44.57 billion, and is expected to to break through RMB58.9 billion by 2023. By 2023, the China industrial robot market will exceed $10 billion. Currently, with the increasing demand for intelligent transformation and upgrades in production and manufacturing in China, the demand for industrial robots remains booming. China's industrial robot market, accounting for about one-third of the global market share and being the world's largest industrial robotics application market, has maintained positive development. With the development of traditional robots in vision, intelligent sensing and cloud technology, robots will be more intelligent and flexible in the future, and will be optimized from traditional robots to co-integration robots. The Group will also continue to insist on driving innovation, intelligent transformation, foundation enhancement, and green development, focusing on promoting the research and development and application of robot products, improving performance, quality and safety, developing and utilizing networked, digital and intelligent technologies, combining mobile Internet, cloud computing, big data and IoT, and actively promoting the high-end and intelligent development of products.

MANAGEMENT DISCUSSION AND ANALYSIS

With the explosive growth of the robot market, the risks of the industry cannot be ignored. More and more enterprises are entering this area, and at the same time, the demand for robot products is affected by changes in the macro economy and industry cycles, which brings certain risks to the price of robot products or services as well as changes in supply and demand. Secondly, the adequacy, stability and price changes of the supply of raw materials and key components of robots will also pose market risks. In terms of suppliers, once the suppliers fail to provide the production factors required for the production and operation to robotics enterprises in a timely manner, the credit risks of suppliers may occur, which may result in the failure of the production and operation of enterprises to proceed normally. At the same time, the robotics industry is also vulnerable to the impact of national industrial policies, and changes in tax policies and interest rates may bring unexpected risks to enterprises at any time. In addition, the threat of potential entrants, the threat of competition from existing enterprises, and the threat of substitution of alternatives may also lead to market risks. Technological innovation is also a dynamic risk with its own complexity. The Group needs to be well prepared for a variety of scenarios.

There will be no cold winter for AI in the future, however, we still need to take into account the intensity and duration of the impact on the service industry and intelligent manufacturing in the process of continuous technological advancement and business model improvement. The Group's business will also face significant challenges in the future as demand for AI is further released.

MANAGEMENT ACTION PLANS ON GOING CONCERN MITIGATION MEASURES

In order to meet the company's financial obligation and to improve the operational capability, the directors of the Company have been undertaking a number of measures, including:

(1) On 4 January 2021, other borrowings obtained from 惠州市金達勝投資有限公司 (Huizhou Jindasheng Investment Limited* or "**HJIL**"), who is non-controlling interests of the Group's certain subsidiaries, amounting to approximately RMB32,100,000 (equivalent to HK$39,306,000) under a facility for the repayment terms of 24 months from drawdown date, which has been extended the repayment terms to 48 months from drawdown date ("**Facility I**"). On 1 December 2021, the Group has entered into another borrowing facility agreement with HJIL for a borrowing facility with a limit of RMB50 million which interest bearing at 18% per annum, secured by entire equity interest in a non-wholly owned subsidiary of the Group, 深圳市安澤智能機器人有限公司 ("**Anzer**") and repayable 48 months from drawdown date ("**Facility III**"). Interest shall be payable upon repayment of principal under both Facility I and Facility III. As at 31 December 2021, outstanding other borrowings under Facility I and facility II ("**Facility II**") amounted to approximately RMB32,100,000 (equivalent to HK$39,306,000) and approximately RMB67,138,000 (equivalent to HK$82,211,000) respectively and no outstanding other borrowings under Facility III. As at 31 March 2022, facilities of approximately RMB3,360,000 (equivalent to HK$4,114,000), RMB12,862,000 (equivalent to HK$15,750,000) and RMB50,000,000 (equivalent to HK$61,225,000) are available from Facility I, Facility II and Facility III respectively. It is expected that borrowings will continue to be available for drawdown under these facilities as and when needed in the next twelve months;

(2) the Group will continue to take active measures to improve profitability and cash flows through various initiatives, such as, leveraging capital investments made in automation to reduce production costs, reduce the material costs through the use of in-house developed components and software, control the staff costs through streamlining headcounts; purchase equipment through leasing arrangements and building stronger relationships with major customers to secure more recurring orders to improve the Group's cash flows from operations; and

(3) the Group will continue to source additional funding from external resources.

* *for identification purpose only*

DIRECTORS' PROFILE

EXECUTIVE DIRECTOR

Mr. Su Zhituan ("**Mr. Su**"), aged 51, has been appointed as the chairman of the Company (the "**Chairman**"), an executive Director, the compliance officer and a member of each of the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") since 1 June 2018. He holds an Executive Master of Business Administration from Cheung Kong Graduate School of Business, the People's Republic of China and a Doctor of Business Administration from the program offered by the University of Minnesota in partnership with Tsing Hua University. Mr. Su has extensive experience in business development and management. Mr. Su is the founder, chairman and president of Taidong Group Company Limited*(太東集團)("**Taidong Group**"), which principally operates business in the real estate, construction materials, natural resources, finance, investment and emerging technology sectors. He is also the chairman of each of TCL & Taidong Petrochemical Investment Company Limited*(TCL太東石化投資有限公司)and Taidong & Country Garden Investment Company Limited*(太東碧桂園投資有限公司)and a director of Huizhou Rural Commercial Bank Company Limited*(惠州農村商業銀行股份有限公司). Mr. Su was elected as the representative of the Twelfth Guangdong Province People's Congress of China and one of the awardees of the Seventh Top Ten Outstanding Youths in Guangdong Province(第七屆廣東省十大傑出青年). He is also the honorary chairman of Guangdong Charity Federation*(廣東省慈善總會).

NON-EXECUTIVE DIRECTOR

Mr. Fan Yu ("**Mr. Fan**"), aged 37, has been appointed as non-executive Director since 15 September 2020. He obtained a Bachelor of Management Studies from the University of Waikato, New Zealand in April 2007. He was accredited as a chartered financial analyst by CFA Institute in September 2013. He has extensive experience in finance and investment. Mr. Fan worked at First NZ Capital Management Limited in New Zealand from June 2008 to December 2012 with his last position as senior securities settlements officer, responsible for providing trading services to clients in the area of foreign exchange and financial derivatives and managing projects of developing new financial products. He then worked at SK (China) Enterprise Management Limited*(愛思開(中國)企業管理有限公司)from June 2013 to May 2017 with his last position as senior investment manager, being involved in various fund investment and business mergers and acquisitions in China. Since June 2017, Mr. Fan has been the general manager of Shenzhen Yijia Capital Management Company Limited*(深圳億嘉資本管理有限公司)which is part of the group of Taidong Group Company Limited*(太東集團有限公司), responsible for the management and operation of equity and mergers and acquisitions investment funds.

** For identification purpose only*

DIRECTORS' PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam B Ray, Billy ("**Mr. Tam**"), aged 52, joined the Company as an independent non-executive Director on 5 March 2012. He is also a member of each of the audit committee of the Board (the "**Audit Committee**") and the Nomination Committee. Mr. Tam has been a practicing solicitor in Hong Kong for over 26 years. He holds an EMBA from the Chinese University of Hong Kong, a Bachelor of Laws degree from the University of London, a Bachelor degree in laws of the People's Republic of China from Tsinghua University and a Master of Laws degree from the University of Hong Kong. Mr. Tam is a partner of Messr. Ho & Tam. He has been an independent non-executive directors of China Fortune Financial Group Limited (stock code: 290), a company listed on the Main Board of the Stock Exchange, from 4 December 2007 to 21 December 2016. He has also been an independent non-executive director of Silk Road Energy Services Group Limited (stock code: 8250), a company listed on GEM, from 10 November 2011 to 18 June 2014. Mr. Tam has also been a non-executive director of Larry Jewelry International Company Limited (stock code: 8351), a company listed on GEM of the Stock Exchange, from 16 December 2010 to 19 September 2014 and Milan Station Holdings Limited (stock code: 1150), a company listed on the Main Board of the Stock Exchange, since 28 April 2011 to 3 March 2017.

Ms. Han Xiao ("**Ms. Han**"), aged 36, joined the Company as an independent non-executive Director on 30 November 2021. She is also the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Han obtained a Bachelor of Commerce degree from Massey University in New Zealand in 2008. She is a member of CPA Australia. She has over ten years of experience in finance and accounting. She is currently a deputy financial controller of Suning Rundong Equity Investment Management Company Limited#(蘇寧潤東股權投資管理有限公司).

Ms. Zhao Yang ("**Ms. Zhao**"), aged 36, joined the Company as an independent non-executive Director on 30 December 2021. She is also a member of each of the Audit Committee and the Remuneration Committee. Ms. Zhao obtained a Bachelor of Management degree from Business College of Shanxi University (now known as Shanxi Vocational University of Engineering Science and Technology) in Shanxi, China in 2007 and obtained a Master of Business Administration degree from Tiffin University in Ohio, USA in 2010. She has obtained a qualification certificate of board secretary issued by Shenzhen Stock Exchange. She has been the officer of the secretariat of the board of directors and the secretary of the board of directors of Zhongao Wufu Group Company Limited(中奧伍福集團股份有限公司)# since September 2017. She was the secretary of the chairman of the board of directors of Guowei Fortune Investment Group Limited#(國維財富投資集團有限公司)("**Guowei**") and the secretary of the committee of an education foundation created by a subsidiary of Guowei from August 2012 to September 2016.

DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 37 to the consolidated financial statements. The principal activities of the Group consist of the Engineering Business after the Beauty Business was discontinued with effect from 30 June 2021. Save as disclosed above, there were no significant changes in the nature of business of the Group during the Year.

A fair review of the business of the Group during the Year, discussion on the key financial performance indicators of the Group, particulars of important events affecting the Group that have occurred since the end of the Year review and future development of the Group are provided in the section headed "Management Discussion and Analysis" from page 6 to page 11 of this annual report.

Description of the environmental policies and performance, compliance with the applicable laws and regulations which have a significant impact on the Group, relationships with stakeholders and principal risks and uncertainties facing the Group can be found in the paragraphs below.

Environmental Policies and Performance

The Group is committed to creating a successful business that is not achieved at the expense of the environment. The Group is dedicated to creating an environmentally friendly and sustainable operation. The Directors are not expecting that the business of the Group will have a significant impact on the environment due to the nature of its principal businesses. Details on Group's environmental policies are set out in the section headed "Environmental. Social and Governance Report" from page 38 to page 51 of this annual report.

Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group

The Company and its subsidiaries operating in Hong Kong, China and Canada are subject to requirements under various laws and regulations. For subsidiaries operating in Hong Kong, applicable laws and regulations include, among others, the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), the Competition Ordinance (Cap. 619 of the Laws of Hong Kong), the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), and the applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the Group is also subject to the provisions of the GEM Listing Rules. For subsidiaries operating in China, applicable laws and regulations include, among others, Administrative Measures on Foreign Investments in Commercial Sector(外商投資商業領域管理辦法), Law on Environmental Impact Assessment of the PRC(中華人民共和國環境影響評價法), Administrative Measures on Pollutants Discharge Permits(廣東省排污許可證管理辦法), Law on Wholly Foreign Owned Enterprises of the PRC(中華人民共和國外資企業法), Administrative Regulations on Company Registration of the PRC(中華人民共和國公司登記管理條例), Regulations on Certification of Qualification of Civil Aviation Products and Parts(民用航空產品和零部件合格審定規定)and Regulations on Certification of Qualification of Civil Aircrafts Repair Entities(民用航空器維修單位合格審定規定). For the subsidiary operating in Canada, applicable laws and regulations include, among others, the Canada Business Corporation Act, Patent Act, Industrial Design Act, and Canada Labour Code. The Group seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, trainings and oversight of various business units with the designated resources at different levels.

Relationships with Stakeholders

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including its employees, customers, suppliers, business partners and the community.

The Group considers its employees as the key to sustainable business growth. The Group is committed to providing all employees a safe and harassment-free working environment with equal opportunities in relation to employment, reward management, training and career development.

As a customer-focused service provider, the Group considers its customers as one of the most important stakeholders. The Group is committed to serving its customers to the best of its ability and continually elevating the level of service excellence.

The Group is committed to upholding the highest ethical and professional standards when dealing with suppliers. The Group has established suppliers monitoring and screening process and conducted suppliers' performance review regularly. Unsatisfactory rating for rectification or improvements will be communicated to its suppliers.

RISK MANAGEMENT

The risk management process is integrated into our day-to-day activities and is an ongoing process that flows through the Group.

When performing risk identification, the Group takes into account internal and external factors including economic, political, social, technological, environmental and new or updated Group strategy and new regulations, as well as our stakeholders' expectation in these aspects. Each risk identified is analysed on the basis of likelihood and impact consistent with risk parameters set by the Board. Action plans are in place to manage risks. Fundamental to the achievement of our business goal is how the Group can effectively manage existing and emerging risks in economic, social and political environment. A description of the Group's risk factors is shown as below:

Risk factors

Risks and uncertainties can affect the Group's business, financial condition, operation results or growth prospects leading to a divergence from expected or historical result. Key risk factors affecting the Group are outlined below. In dealing with these, the Group remains in touch with stakeholders with the aim of understanding and addressing their concerns.

These factors are not exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could become material in the future.

Macroeconomic Conditions of the World and China

Since early 2020, the COVID-19 epidemic has spread worldwide, and it has caused disruption to many businesses and economic activities. Global economic growth has been weaker than expected with sluggish demand conditions in the major economies. Uncertainty in world economic recovery continued due to economic pressures and geopolitical tensions in various areas of the world and slow growth in emerging markets including China.

The Group's target customers of the Engineering Business comprise companies and government agencies operating in China. Any unexpected economic, political and social events or changes in China may have a significant impact on the Engineering Business.

The Group has taken a proactive approach to monitoring changes in the macroeconomics factors of China and the world. To address macroeconomics volatility, the Group's strategy is to pursue diversification of product lines and expansion in different geographic areas.

The Engineering Business may not be able to keep up with technological changes

The engineering industry is moving and customers' preferences change quickly. The introduction of new technology in this industry may render the Group's services to be obsolete and uncompetitive. Accordingly, the Group's future success will depend on its ability to adapt to changing technologies and continually improving the know-how of its staff in response to evolving demands of the market place. Failing to adapt to such changes may result in the Engineering Business losing its customers, which would have a material adverse effect on the financial position of the Group.

The management has been monitoring the latest development in technologies relating to the engineering industry. Research and development will be done internally through the Group's own talents or outsourced to qualified third parties. When seen fit, the Group may also acquire companies with technologies that meet the business strategy of the Group.

Compliance with the laws and regulations of China

As set out in the paragraph headed "Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group" above, the operation of the Engineering Business is subject to compliance with various rules and regulations in China. In order to expand into the production of robotics products in China, the Group must obtain certain required qualifications. The Group may not be able to obtain or renew such qualifications and may therefore be unable to expand into the production of robotics products.

The Group has taken a proactive approach to monitoring any change in applicable laws and regulation. The compliance is done through a variety of means including engaging external advisors, performing regular audits and complying with regulatory reporting obligations.

Product liability

The products provided by the Group may contain defects or errors. The Group may incur costs in correcting the defects or errors or defending any legal proceedings and claims brought by its customers against the Group. Defects or errors that may be contained in the Group's products may also affect the Group's relationship with such customers and result in negative publicity, hence adversely affecting the Group's reputation. The Group does not currently maintain any product liability insurance but may consider doing so in the future. There is no assurance that there will not be any product liability claims against the Group for the loss or damage caused by defective products. If any of the Group's customers make any claim against the Group which is in excess of any insurance coverage of the Group or otherwise falls outside such coverage, the Group will need to bear the costs of settling such claims, and may result in the Group's business and financial condition being adversely affected.

To prevent product liability claims, the Group only deals with qualified and reputable raw material suppliers. The management also conducts regular product safety reviews to confirm that products comply with the latest industry and government safety standards.

Competition

The Group operates in markets and industries where open competition has led to increased competition, pricing pressure, loss of market share, and increased promotional, marketing and customer acquisition expenditures.

The Group has been consistently monitoring its competitors, markets and industries and adjusting its business strategy to adapt to changing market place.

Client complaints, claims and legal proceedings in the course of the Group's operations

Given the nature of the beauty industry and the subjective views on the level of satisfaction of beauty products and services provided, on occasion, the Group is susceptible to complaints associated with its products or services. Common client complaints include (i) unsatisfactory results of the Group's services and products; (ii) physical injury caused by the Group's services; (iii) disputes over payment method (e.g. credit card instalment); (iv) unsatisfactory staff services; (v) unsatisfactory treatment progress; (vi) client's change of mind; and (vii) subsequent argument on the terms of contracts.

Customer complaints are handled in a timely manner by a trained customer service team of the Group. In case of legal proceedings being file against the Group, the Group will engage or consult qualified professionals to minimize the impact.

RESULTS AND PROFIT DISTRIBUTION

Details of the Group's results for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 54 to 55 of this annual report.

The Directors did not recommend the payment of any final dividend for the Year (for the financial year ended 31 December 2020: Nil).

FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the past five financial years/periods ended 31 December 2017, 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 are set out on page 131 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in Note 18 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in Note 26 to the consolidated financial statements in this annual report.

RESERVES

Details of the movement in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 58 and Note 35 to the consolidated financial statements, respectively, in this annual report.

DISTRIBUTABLE RESERVE

The Company did not have any reserves available for distribution to the shareholders of the Company as at 31 December 2021 (as at 31 December 2020: Nil).

CHARITABLE DONATIONS

The Group has made charitable donations of approximately HK$Nil during the Year (for the financial year ended 31 December 2020: HK$Nil).

DIRECTORS

The Directors who held office during the Year and up to the date of this annual report were:

Executive Directors

Mr. Su Zhituan
Mr. Sun Ziqiang *(resigned on 30 December 2021)*

Non-executive Directors

Mr. Fan Yu

Independent non-executive Directors

Mr. Tam B Ray, Billy
Mr. Chu Kin Wang, Peleus *(resigned on 30 November 2021)*
Dr. Wang Dangxiao *(resigned on 30 December 2021)*
Ms. Han Xiao *(appointed on 30 November 2021)*
Ms. Zhao Yang *(appointed on 30 December 2021)*

Pursuant to bye-law 83(2) and 84(1) of the bye-laws of the Company (the "**Bye-laws**"), Ms. Han Xiao and Ms. Zhao Yang shall retire from office by rotation at the forthcoming annual general meeting (the "**2022 AGM**"), and, being eligible, offer themselves for re-election at the 2022 AGM.

THE BIOGRAPHY OF THE DIRECTORS

The biographical details of the Directors of the Company are set out in the section headed "Directors' Profile" on pages 12 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the 2022 AGM has a letter of appointment or a services contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY

Pursuant to the Bye-laws, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his duty, or supposed duty, in their respective offices or trusts such indemnity provision has been in force throughout the Year.

The Company has arranged for appropriate insurance cover for Director's liabilities in respect of legal action against its Directors arising out of corporate activities.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of Mr. Tam B Ray, Billy, Ms. Han Xiao and Ms. Zhao Yang, all being the independent non-executive Directors during the Year, in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors are independent in accordance with the guidelines set out in the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long and short positions in the ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Nature of interests	*Notes*	Interest in shares *(Note 1)*	Interest in underlying shares *(Note 1)*	Total interest in shares *(Note 1)*	Approximate percentage of shareholding *(Notes 1 and 3)*
Mr. Su Zhituan	Interest of controlled corporation	2	151,425,197(L)	—	151,425,197(L)	29.91%(L)

Notes:

1. "L" represents long position in shares or underlying shares of the Company and "S" represents short position in shares or underlying shares of the Company.

2. Tai Dong New Energy Holding Limited ("**Tai Dong**") is ultimately wholly-owned by Mr. Su Zhituan and holds long positions in 151,425,197 shares of the Company. Accordingly, Mr. Su Zhituan is deemed to be interested in the long positions in 151,425,197 shares of the Company.

3. The percentage is calculated on the basis of 506,219,666 shares of the Company in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Save as disclosed in this annual report, at no time during the Year was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouses and children under the age of 18) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations, and none of the Directors or their respective spouses or children under the age of 18 had any right to subscribe for shares of the Company or any of its associated corporations or had exercised any such right during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the Year.

CONTRACTS OF SIGNIFICANCE

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 of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the Year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their job responsibilities, work performance, professional experience and prevailing industry practices.

The emoluments of the Directors are decided by the Board with reference to the recommendations from the Remuneration Committee, with regard to the Company's operation results, individual performance and comparable market statistics.

The Company has adopted the Share Option Scheme (as defined below) as an incentive to Directors and eligible participants. Please refer to the paragraph headed "Share Option Scheme" on page 22 of this annual report for details.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 13 and Note 12 to the consolidated financial statements, respectively, in this annual report.

COMPETING INTERESTS OF DIRECTORS

As at 31 December 2021, none of the Directors, substantial shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, so far as is known to the Directors and the chief executives of the Company, the interests and shorts positions of the persons or corporations (other than the Directors and the chief executive of the Company) in the shares and underlying shares as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests and short positions in the ordinary shares or underlying ordinary shares of the Company

Name of shareholder	Nature of interests	*Notes*	Interest in shares of the Company *(Note 1)*	Interest in underlying shares of the Company *(Note 1)*	Total interest in shares of the Company *(Note 1)*	Approximate percentage of shareholding *(Notes 1 and 8)*
Tai Dong	Beneficial owner	2	151,425,197(L)	—	151,425,197(L)	29.91%(L)
Hong Kong Bridge Investments Limited ("**Hong Kong Bridge Investments**")	Beneficial owner	3	41,666,666(L)	—	41,666,666(L)	8.23%(L)
HKBridge Absolute Return Fund, L.P ("**HKBridge Absolute**")	Beneficial owner	4	64,148,063(L)	—	64,148,063(L)	12.67%(L)
On Top Global Limited ("**On Top Global**")	Beneficial owner	5	24,397,946(L)	—	24,397,946(L)	4.82%(L)
Renco Holdings Group Limited ("**Renco Holdings**")	Interest of controlled corporation	3,4,5	130,212,675(L)	—	130,212,675(L)	25.72%(L)
KE10MA Holdings Inc. ("**KE10MA Holdings**")	Beneficial owner	6	29,286,971(L)	—	29,286,971(L)	5.79%(L)
Andrew Avi Goldenberg	Interest of controlled corporation	6	29,286,971(L)	—	29,286,971(L)	5.79%(L)
Goldenberg Aviva C	Interest of controlled corporation	6	29,286,971(L)	—	29,286,971(L)	5.79%(L)
Greater Harmony Limited ("**Greater Harmony**")	Beneficial owner	7	30,000,000(L)	—	30,000,000(L)	5.93%(L)
Ko Chun Shun Johnson	Interest of controlled corporation	7	30,000,000(L)	—	30,000,000(L)	5.93%(L)

Notes:

1. "L" represents long position in shares or underlying shares of the Company and "S" represents short position in shares or underlying shares of the Company.

2. Tai Dong is interested in 151,425,197 shares of the Company. As Tai Dong is ultimately wholly-owned by Mr. Su Zhituan, Mr. Su Zhituan is deemed to be interested in such 151,425,197 shares of the Company.

3. Hong Kong Bridge Investments is interested in 41,666,666 shares of the Company. As Hong Kong Bridge Investments is a wholly-owned subsidiary of Renco Holdings, Renco Holdings is deemed to be interested in such 41,666,666 shares of the Company.

4. HKBridge Absolute, a Cayman Islands exempted limited partnership, the general partner of which is HKBridge (Cayman) GP2 Limited, a Cayman Islands limited liability company, is interested in 64,148,063 shares of the Company. As the entire issued share capital of the general partner of HKBridge Absolute is indirectly owned by Renco Holdings, Renco Holdings is deemed to be interested in such 64,148,063 shares of the Company.

5. On Top Global is interested in 24,397,946 shares of the Company. As On Top Global is a wholly-owned subsidiary of Hong Kong Bridge High-Tech Investment Fund L.P. ("**Hong Kong Bridge High-Tech**"), Hong Kong Bridge High-Tech is deemed to be interested in such 24,397,946 shares. Hong Kong Bridge High-Tech, a Cayman Islands exempted limited partnership, the general partner of which is Hong Kong Bridge High-Tech Investment G.P Limited, a Cayman Islands limited liability company. As the entire issued share capital of the general partner of the Hong Kong Bridge High-Tech is indirectly owned by Renco Holdings, Renco Holdings is deemed to be interest in such 24,397,946 shares of the Company.

6. KE10MA Holdings is interested in 29,286,971 shares of the Company. As KE10MA Holdings is 50%-owned by Dr. Andrew Avi Goldenberg and 50%-owned by Mrs. Aviva C Goldenberg and Mrs. Aviva C Goldenberg is the spouse of Dr. Andrew Avi Goldenberg, each of Dr. Andrew Avi Goldenberg and Mrs. Aviva C Goldenberg is deemed to be interested in such 29,286,971 shares of the Company.

7. Greater Harmony is interested in 30,000,000 shares of the Company. As Greater Harmony is ultimately wholly-owned by Mr. Ko Chun Shun Johnson. Mr. Ko Chun Shun Johnson is deemed to be interested in such 30,000,000 shares of the Company.

8. The percentage is calculated on the basis of 506,219,666 shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other persons or corporations (other than the Directors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") at the annual general meeting of the Company held on 7 November 2014 (the "**2014 AGM**"). The scheme mandate limit (the "**Scheme Mandate Limit**") of the Share Option Scheme was refreshed at the annual general meeting of the Company held on 8 May 2017 (the "**2017 AGM**").

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options (the "**Share Options**") to certain Eligible Participants (as defined below) as incentives or rewards for their contribution to the Company and/or its subsidiaries.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may, subject to and in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, in its absolute discretion, invite (i) any employees (including, without limitation, executive Directors) of the Company and/or any of its subsidiaries; (ii) any non-executive Directors (including, without limitation, independent non-executive Directors) of the Company and/or any of its subsidiaries; (iii) any consultants, suppliers or customers of the Company and/or any of its subsidiaries; (iv) any employee (whether full-time or part-time and including directors) of any entity in which the Group holds any equity interest; and/or (v) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for options under the Share Option Scheme (the "**Eligible Participant(s)**") to take up options to subscribe for shares at the Subscription Price (as defined below).

3. **Maximum number of Shares**

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the relevant class of shares of the Company in issue from time to time. Subject to the limit above, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme or the date of refreshment of such limit. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Share Option Scheme limit.

As approved by the shareholders of the Company at the 2017 AGM, the maximum number of shares of the Company in respect of which Share Options may be granted under the refreshed Scheme Mandate Limit is 45,521,966 shares of the Company which is equivalent to 10% of the issued shares of the Company as at the 2017 AGM. As at 31 December 2021, 45,521,966 shares of the Company may be issued upon the exercise of all the Share Options to be granted under the Share Option Scheme, representing approximately 8.99% of the issued shares of the Company at 31 December 2021 and the date of this annual report.

4. **Maximum entitlement of each participant**

Unless approved by the shareholders of the Company in a general meeting and according to the manner prescribed by the provisions of the Share Option Scheme and the GEM Listing Rules, the total number of shares of the Company issued and to be issued upon exercise of the Share Options granted to each Eligible Participant or grantee (including exercised and outstanding Share Options) in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue.

Any grant of Share Options to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Directors (excluding an independent non-executive Director who or whose associate is the proposed grantee of the Share Options). Where any grant of Share Options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or an independent non-executive Director or any of their respective associates, would result in the shares issued or to be issued upon exercise of all Share Options already granted or to be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of Share Options must be approved by the shareholders in general meeting.

5. **Offer period and amount payable for Share Option and exercise period**

The offer shall remain open for acceptance for 30 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the adoption date (i.e. 7 November 2014) (the "**Adoption Date**") or the termination of the Share Option Scheme or the Eligible Participant to whom such offer is made has ceased to be an Eligible Participant.

A Share Option shall be deemed to have been accepted (subject to certain restrictions in the Share Option Scheme) when the duplicate letter comprising acceptance of the Share Option is duly signed by the Eligible Participant together with a non-refundable nominal consideration of HK$1.00 is received by the Company from the grantee within 30 days from the date of offer.

The exercise period of the Share Option granted is determinable by the Directors, and which shall not exceed 10 years after the date on which the Share Options are granted.

6. **Minimum period for which an option must be held before it can be exercised**

There is no specified minimum period under the Share Option Scheme for which a Share Option must be held or the performance target which must be achieved before a Share Option can be exercised under the terms of the Share Option Scheme.

The terms of the Share Option Scheme provide that in granting Share Options under the Share Option Scheme, the Board may offer to grant any Share Options subject to such terms and conditions in relation to the minimum period of the Share Options to be held and/or the performance criteria to be satisfied before such options can be exercised and/or any other terms as the Board may determine in its absolute discretion.

7. **Basis of determining the exercise price**

The exercise price shall be determined by the Board at its absolute discretion, provided that it shall be not less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the date on which an offer is made to an Eligible Participant, which must be a business day (the "**Offer Date**"), (ii) the average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheets) for the five business days immediately preceding the Offer Date, and (iii) the nominal value of the shares.

8. **Remaining life of the Share Option Scheme**

The Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the 10th anniversary thereof (i.e. 6 November 2024), after which period no further Share Options will be issued but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Share Options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Details of movements in the Company's Share Options during the twelve months ended 31 December 2021 are set out as follows:

			Number of Share Options				
	Outstanding as at 1 January 2021	Exercised price HK$	Granted during the Year *(Note 1)*	Exercised during the Year	Cancelled during the Year *(Note 2)*	Lapsed during the Year	Outstanding as at 31 December 2021
Employees	743,475	8.90	—	—	—	—	743,475
Total	743,475		—	—	—	—	743,475
Exercisable at the end of the period							743,475

Note:

(1) A total of 7,480,000 Share Options were granted on 3 January 2017, with an exercise price of HK$8.90 and exercise period from 3 January 2018 to 2 January 2022, of which (i) 25% of the Share Options are exercisable from 3 January 2018 to 2 January 2022; (ii) 25% of the Share Options are exercisable from 3 January 2019 to 2 January 2022; (iii) 25% of the share options are exercisable from 3 January 2020 to 2 January 2022; and (iv) 25% of the Share Options are exercisable from 3 January 2021 to 2 January 2022.

(2) A total of nil Share Options were cancelled on 31 December 2021, with an exercise price of HK$8.90.

(3) The Share Options granted to the employees of the Group shall be vested in four equal tranches. The vesting periods of the Share Options are between the date of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the Share Options are as follows:

Number of Share Options Outstanding at 31 December 2021	Vesting period	Exercise period
185,868	3 January 2017 to 2 January 2018	3 January 2018 to 2 January 2022
185,869	3 January 2017 to 2 January 2019	3 January 2019 to 2 January 2022
185,869	3 January 2017 to 2 January 2020	3 January 2020 to 2 January 2022
185,869	3 January 2017 to 2 January 2021	3 January 2021 to 2 January 2022
743,475		

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in Note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate sales attributable to the Group's largest customer accounted for approximately 55.9% (for financial year ended 31 December 2020: 16.0%) of the Group's total sales for the year and the five largest customers taken together accounted for approximately 80.0% (for financial year ended 31 December 2020: 25.7%) of the Group's total sales. The Group does not have any significant transaction with any single customer for the Year.

During the Year, the aggregate purchases attributable to the Group's largest suppliers accounted for approximately 11.6% (for financial year ended 31 December 2020: 8.1%) of the Group's total purchase for the year and the five largest suppliers are each together accounted for approximately 23.0% (for the financial year ended 31 December 2020: 20.1%) of the Group's total purchase.

Huizhou City Taidong Shiye Co. Ltd*（惠州市太東實業投資有限公司）("**Taidong Shiye**") and its relevant associated Company, being one of the Group's five largest customers, is ultimately wholly-owned by Mr. Su Zhituan (an executive Director and a controlling Shareholder). Mr. Su Zhituan is a controlling Shareholder interested in more than 5% of the issued Shares.

Save as disclosed in this annual report and to the best knowledge of Directors, none of the Directors, their associates, or any shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest suppliers or customers during the Year.

CONNECTED TRANSACTIONS

For the Year, Anzer Intelligent has entered into certain contracts with Taidong Shiye and its relevant associated company, which are ultimately owned or controlled by Mr. Su Zhituan, the Chairman and executive Director of the Company and a substantial shareholder of the Company. Pursuant to the S&P Contracts, revenue from Anzer Intelligent to Taidong Shiye regarding to provision of engineering products and related services approximately HK$2.2 million.

As Mr. Su Zhituan is an executive Director and a substantial shareholder of the Company, Taidong Shiye is a connected person of the Company. Hence, the transactions under the S&P Contracts constituted connected transactions of the Company. As all the applicable ratios of the transactions under the S&P Contracts in aggregate were less than 5% and the total consideration in aggregate was less than HK$3,000,000, therefore, the transactions under the S&P Contracts were exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. In the opinion of the Directors (including the independent non-executive Directors), the transactions under the S&P Contracts were carried out in the ordinary and normal course of the Group's business, in the interests of the Company and its shareholders as a whole and conducted at mutually agreed terms.

Details of related party transactions entered into by the Group during the year ended 31 December 2020 and 31 December 2021 are disclosed in Note 36 in the consolidated financial statements. Save for the exempted connected transactions disclosed above, all other related party transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 20 of the GEM Listing Rules.

During the year ended 31 December 2021, save for the exempted connected transactions disclosed above, the Group did not enter into any connected transactions which required reporting, annual review, announcements and/or independent shareholders' approval under the GEM Listing Rules.

Payments of emoluments to the Directors pursuant to their respective service contracts with the Company were exempt connected transactions under Rule 20.93 of the GEM Listing Rules while payments of emoluments/consultancy fee to senior management do not constitute connected transactions under Chapter 20 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT CONTRACTS

During the Year, other than the letters of appointment of the Directors, no management and administrative contracts regarding the entire or any major businesses of the Company have been entered into or have existed.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws and there is no restriction against such rights under the law of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available and to the best knowledge, information and belief of the Directors, the Company has maintained a sufficient public float as required under the GEM Listing Rules throughout the Year.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 39, there is no other significant event after the reporting period.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 28 to 37 of this annual report.

AUDITOR

PricewaterhouseCoopers has resigned as the auditor of the Company with effect from 21 December 2021, as the Company could not reach a consensus with PricewaterhouseCoopers on the audit fee for the Year. PricewaterhouseCoopers has provided a confirmation to the Company that there are no circumstances connected with its resignation which it considered should be brought to the attention of the shareholders of the Company.

The Board and the Audit Committee have also confirmed that there was no disagreement between PricewaterhouseCoopers and the Company, and there is no other matter in relation to the resignation of PricewaterhouseCoopers that needs to be brought to the attention of the shareholders of the Company. The Board has resolved, with the recommendation from the Audit Committee, the appointment of Elite Partners CPA Limited ("**Elite**") with effect from 21 December 2021 as the new auditor of the Company, to fill the casual vacancy following the resignation of PricewaterhouseCoopers. Elite will retire at the conclusion of the 2022 AGM and being eligible, offer themselves for re-appointment at the 2022 AGM. A resolution for the re-appointment of Elite as auditor of the Company will be proposed at the 2022 AGM.

On behalf of the Board

Su Zhituan
Executive Director and Chairman

Hong Kong, 20 May 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules which sets out the principles and the code provisions which listed issuers are expected to apply and comply with.

During the Year and up to the date of this annual report, the Company has applied the principles as set out in the then CG Code that was effective for the Year which were considered to be relevant to the Company and has complied with most of the applicable code provisions as set out in the CG Code save for certain deviations, details of which are explained in the relevant paragraphs of this corporate governance report.

The key corporate governance principles and practices of the Company are summarised as follows:

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own codes of conduct regarding Directors' and relevant employees' securities transactions, namely the "Code for Securities Transactions by Directors" and the "Code for Securities Transactions by Relevant Employees" (each a "**Securities Code**"), both of which apply to all Directors and relevant employees of the Company in terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry with each of the Directors, all of the Directors have confirmed that they have complied with such Securities Code and the required standard of dealings on Directors' securities transactions during the Year.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibilities for decision making in all major matters of the Company including the approving and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior management. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior management and the Board must have full support of them to discharge its responsibilities. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this corporate governance report.

Composition

The Directors have distinguished themselves in their respective fields of expertise, and have exhibited high standards of personal and professional ethics and integrity. All the Directors have given sufficient time and attention to the Company's affairs.

As at the date of this annual report, the Board comprises five Directors and their respective roles are set out as follows:

Executive Director

Mr. Su Zhituan *(Chairman)*

Non-executive Director

Mr. Fan Yu

Independent non-executive Directors

Mr. Tam B Ray, Billy
Ms. Han Xiao *(appointed on 30 November 2021)*
Ms. Zhao Yang *(appointed on 30 December 2021)*

One of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise.

None of the Board members have financial, business, family or other material/relevant relationships with each other.

Biographical details of the Directors are set out in the section headed "Directors' Profile" on pages 12 to 13 of this annual report.

As at 30 November 2021, following the resignation of Mr. Chu Kin Wang, Peleus as an independent non-executive Director and the chairman of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from even date, (i) the Company had only two independent non-executive Directors and neither of which had appropriate professional qualifications or accounting or related financial management expertise which deviated from the requirements under Rules 5.05(1) and 5.05(2) of the GEM Listing Rules; (ii) the Company had only two members in the Audit Committee, did not include an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise and was not chaired by an independent non-executive Director which deviated from the requirements under Rule 5.28 of the GEM Listing Rules; (iii) the Remuneration Committee was not chaired by an independent non-executive Director and the number of independent non-executive Directors in the Remuneration Committee did not meet the majority requirement under Rule 5.34 of the GEM Listing Rules; (iv) the Nomination Committee was not chaired by the Chairman or an independent non-executive Director and the number of independent non-executive Directors in the Nomination Committee did not meet the majority requirement under code provision A.5.1 of the CG Code. Following the appointment of Ms. Han Xiao as an independent non-executive Director and the chairman of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 30 November 2021, the composition of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company meets the requirements under Rules 5.05(1), 5.05(2), 5.28, and 5.34 of the GEM Listing Rules and code provision A.5.1 of the CG Code (now Rule 5.36A of the GEM Listing Rules).

As at 30 December 2021, following the resignation of Dr. Wang Dangxiao as an independent non-executive Director and a member of each of the Audit Committee and Remuneration Committee with effect from even date, (i) the Company had only two independent non-executive Directors which deviated from the requirement under Rule 5.05(1) of the GEM Listing Rules; (ii) the Company had only two members in the Audit Committee which deviated from the requirement under Rule 5.28 of the GEM Listing Rules; and (iii) the number of independent non-executive Directors in the Remuneration Committee did not meet the majority requirement under Rule 5.34 of the GEM Listing Rules. Following the appointment of Ms. Zhao Yang as an independent non-executive Director and a member of each of the Audit Committee and Remuneration Committee with effect from 30 December 2021, the composition of the Board, the Audit committee, and the Remuneration committee meets the requirements under Rules 5.05(1), 5.28, and 5.34 of the GEM Listing Rules.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Each of Mr. Fan Yu, Ms. Han Xiao and Ms. Zhao Yang are appointed for a term of three years, while Mr. Tam B Ray, Billy is appointed for a term of two years, each commencing from the date of their respective letters of appointment. Each independent non-executive Director is subject to retirement at the next general meeting of the Company after their appointment and thereafter subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company. Currently there is no service contract entered into between the Company and all the independent non-executive Directors. Their appointments will be reviewed when they are due for re-election. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

The Company has received annual written confirmations from each of Mr. Tam B Ray, Billy, Ms. Han Xiao and Ms. Zhao Yang, all being the independent non-executive Directors during the Year, in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors to be independent.

APPOINTMENTS, RE-ELECTION AND REMOVAL

The Board has established the Nomination Committee on 27 March 2012 with details set out in the paragraph headed "Nomination Committee" on page 33 of this annual report.

According to the Bye-laws, the Board may from time to time and at any time appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation in general meeting, as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Meetings

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. All Directors are given an opportunity to attend and include matters in the agenda for discussion. During the Year under review, at least 14 days' notice were given to all Directors for a regular board meeting in order to comply with the relevant code provision of the CG Code.

Apart from regular meetings, our senior management from time to time provides Directors with information on activities and development of the businesses of the Group. The company secretary of the Company (the "**Company Secretary**") takes detailed minutes of the meetings and keeps records of matters discussed and decisions resolved at the meetings. Individual attendance records of each Director at the respective Board and committee meetings are set out in the following section.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the Year are as follows:

Name of Director	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Su Zhituan	8/8	—	2/2	2/2	1/1
Mr. Sun Ziqiang *(resigned on 30 December 2021)*	7/7	—	—	—	1/1
Non-executive Director					
Mr. Fan Yu	8/8	—	—	—	1/1
Independent non-executive Directors					
Mr. Tam B Ray, Billy	8/8	6/6	—	2/2	1/1
Mr. Chu Kin Wang, Peleus *(resigned on 30 November 2021)*	5/5	5/5	—	—	1/1
Dr. Wang Dangxiao *(resigned on 30 December 2021)*	7/7	6/6	1/1	—	1/1
Ms. Han Xiao *(appointed on 30 November 2021)*	2/2	1/1	1/1	1/1	—
Ms. Zhao Yang *(appointed on 30 December 2021)*	—	—	—	—	—

Directors' Training

Code provision A.6.5 of the CG Code stipulates that all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Up to the date of this annual report, all Directors have participated in continuous professional development by attending training courses on the topics related to corporate governance and regulations to comply with the relevant code provision. For those Directors who did not attend a structured course, the Company has arranged the Company Secretary to provide in-house training to such Directors and maintained a record of training.

A summary of the training received by the Directors for the Year according to the records provided by the Directors is as follows:

	Type of Continuous Professional Development	
Name of Directors	**Reading on corporate governance, regulatory updates development and other relevant topics**	**Attending relevant training Sessions**
Executive Directors		
Mr. Su Zhituan	✓	✗
Mr. Sun Ziqiang *(resigned on 30 December 2021)*	✓	✗
Non-executive Director		
Mr. Fan Yu	✓	✗
Independent non-executive Directors		
Mr. Tam B Ray, Billy	✓	✓
Mr. Chu Kin Wang, Peleus *(resigned on 30 November 2021)*	✓	✓
Dr. Wang Dangxiao *(resigned on 30 December 2021)*	✓	✗
Ms. Han Xiao *(appointed on 30 November 2021)*	✓	✗
Ms. Zhao Yang *(appointed on 30 December 2021)*	✓	✗

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. The position of the chairman is held by Mr. Su Zhituan. The responsibilities of the chairman of the Company is to ensure the Board will work effectively and perform its responsibilities, that all key and appropriate issues are discussed by the Board, to draw up and approve the agenda for each board meeting and take into account any matters proposed by others Directors for inclusion in the agenda.

As at 31 December 2021 and up to the date of this annual report, the Company has not appointed a chief executive officer and is looking for a suitable candidate to act as chief executive officer in order to comply with the CG Code. The office and duties of the chief executive officer in respect of the day-to-day management of the Group's business is handled by the executive Directors collectively.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 5.05 of the GEM listing Rules, the Company must have three independent non-executive Directors and one of which must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual written confirmations from each of Mr. Tam B Ray, Billy, Ms. Han Xiao and Ms. Zhao Yang, all being the independent non-executive Directors during the Year, in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors to be independent.

BOARD COMMITTEE

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with the GEM Listing Rules. The principal responsibilities of the Remuneration Committee include making recommendation to the Board on the Group's policies and structure for all remuneration of Directors and senior management, assessing performance of executive Directors, determining specific remuneration packages of all executive Directors and senior management, and reviewing and approving performance-based remuneration.

As at 31 December 2021 and up to date of this annual report, the Remuneration Committee comprises of two independent non-executive Directors, namely Ms. Han Xiao (chairman) and Ms. Zhao Yang and one executive Director, Mr. Su Zhituan.

The Remuneration Committee held two meetings during the Year to determine the policy for the remuneration of executive directors, assess performance of executive Directors and approve the terms of the executive directors' service contracts.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the GEM Listing Rules. The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition of the Board, identification of individuals suitably qualified to become Board members and making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

In respect of the appointment and reappointment of Directors, the Nomination Committee adopted a nomination policy concerning selection criteria and procedures. The factors that would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate are reputation for integrity, qualifications, skills and experience that are relevant to the Group's businesses having regard to the corporate strategy and commitment in respect of available time and relevant interest. In the case of nominating candidates for appointment/re-appointment as an independent non-executive Director, in addition to the selection criteria to which the Nomination Committee would give due regard, the independence of the candidate would be assessed with reference to the independence criteria set out in the GEM Listing Rules. If an independent non-executive Director serves more than nine consecutive years, particular attention would be given to reviewing the independence of such independent non-executive Director for determining his eligibility for nomination by the Board to stand for re-election at a general meeting.

Code provision A.5.6 of the CG Code stipulates that there should be a policy concerning the diversity of Board members. With a view to achieving sustainable and balanced development, the Company has been seeing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Nomination Committee has adopted a diversity policy in relation to the nomination and appointment of new directors. The Company will consider board diversity from a number of factors when deciding on new appointments to the Board and the continuation of those appointments in order to achieve a diversity of perspectives among Board members. These factors include but are not limited to gender, age, cultural and educational background, professional or industry experience, skills, knowledge and other qualities of the Directors. The Board as a whole is responsible for reviewing the structure, size and composition of the Board with due regard to the intended benefits of board diversity. The balance between the number of executive and non-executive Directors is considered effective in ensuring independent judgment is being exercised effectively to provide sufficient checks and balances to safeguard the interests of the Company and its shareholders. The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. The Board will review and monitor the implementation of board diversity on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

As at 31 December 2021 and up to date of this annual report, the Nomination Committee comprises of two independent non-executive Directors, namely Ms. Han Xiao (chairman) and Mr. Tam B Ray, Billy and one executive Director, Mr. Su Zhituan.

The Nomination Committee held two meetings during the Year.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. As at 31 December 2021 and up to the date of this annual report, the Audit Committee comprises of three independent non-executive Directors, namely, Ms. Han Xiao (chairman), Mr. Tam B Ray, Billy and Ms. Zhao Yang. The Audit Committee has reviewed the annual results of the Group for the twelve months ended 31 December 2021 and has provided advice and comments thereon.

The principal duties of the Audit Committee include:

(a) reviewing the relationship with the external auditor to (i) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; and (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(b) monitoring integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and review these reports and significant financial reporting judgements contained in them;

(c) reviewing the Company's financial controls, risk management and internal control systems, discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, and consider major investigation findings on risk management and internal control matters;

(d) considering any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors; and

(e) reviewing arrangements that employees of the Company can use, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During Year, the Audit Committee had six meetings and performed the above mentioned principal duties and reviewed the Company's annual results, annual report, interim report and quarterly reports and to advised and provided comments thereon to the Board. The Audit Committee has also reviewed the compliance procedures, reported on the Company's internal control and risk management. The Audit Committee also met the external auditor twice without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor.

Details regarding the Company's non-compliance with Rule 5.28 of the GEM Listing Rules and an explanation of the remedial steps taken by the Company to address the non-compliance is set out in the section headed "Composition" on page 29 of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

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

CORPORATE GOVERNANCE REPORT

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and the senior management, the Company's policies and practices compliance with the legal and regulatory requirements, the compliance of the "Code for Securities Transactions by Directors" and "Code for Securities Transactions by Relevant Employees", and the Company's compliance with the CG Code and disclosure in this corporate governance report.

ATTENDANCE OF GENERAL MEETING

Pursuant to code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting of the Company and he should invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and any other committees (as appropriate) to attend. Pursuant to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend the general meetings of the Company. During the Year, the annual general meeting of the Company was held on 2 June 2021 (the "**2021 AGM**") and all the then Directors had attended the 2021 AGM.

AUDITORS' REMUNERATION

During the Year, the remuneration in respect of audit services and non-audit services provided by the Company's external auditor, Elite Partners CPA Limited is set out below:

Services rendered	**Fee paid/payable** *HK$'000*
Audit services	850
Non-audit services	—

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that, save as disclosed in Note 2.1(c) to the consolidated financial statements, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control of the Group. To facilitate the effectiveness and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasizes the importance of a sound risk management and internal control systems which is also indispensable for mitigating the Group's risk exposures. The risk management and internal control systems are reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present risk management and internal control of the Group are satisfactory. The Group has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the risk management and internal control systems adopted for the Year is sound and are effective to safeguard the interests of the shareholders' investment and the Company's assets.

With respect to procedures and internal controls for handling dissemination of inside information, the Company is aware of its obligations under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "**SFO**") and the GEM Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the safe harbours as provided in the SFO. The Company conducts its affairs with close regard to the applicable laws and regulations and the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission. The Company has also communicated to all staff the principal and requirement regarding inside information.

As required under code provision C.2.5 of the CG code, the Company has established an internal audit function. A senior executive has been appointed in charge of the internal audit function and reports directly to the Audit Committee. The senior executive is provided with unrestricted access to all information on the Group's assets, records and personnel in the course of internal audit. The senior executive has attended the Audit Committee meetings and reported findings to members of the Audit Committee. All Directors are informed of the findings of internal audit assignments carried out during the Year.

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman on governance matters and also facilitates induction and professional development of the Directors. The Company Secretary reports to the Chairman. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures, all applicable laws, rules and regulations are followed. Mr. Yang Chuen Liang, Charles ("**Mr. Yang**") is the Company Secretary. According to Rule 5.15 of the GEM Listing Rules, Mr. Yang has confirmed that he has taken no less than 15 hours of relevant professional training to update his skills and knowledge during the Year. He will continue to comply with the GEM Listing Rules and take no less than 15 hours of relevant professional training in each financial year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Annual report, interim report and quarterly reports offer comprehensive information to the shareholders of the Company on operational and financial performance whereas annual general meetings provide a forum for the shareholders of the Company to exchange views directly with the Board. All of the then Directors and all members of the Audit Committee attended the 2021 AGM to answer questions raised at the meeting. Each general meeting, other than an annual general meeting, shall be called a special general meeting (the "**SGM**").

Right to convene SGM

According to the Bye-laws, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition. The requisition must be lodged with the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified as not in order, the shareholders will be advised of this outcome and accordingly, a SGM will not be convened as requested. If within twenty-one (21) days from the date of the deposit of the proper and orderly requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the SGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company in SGM;

— At least 21 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes a special resolution of the Company in SGM.

Right to put forward enquiries to the Board

Shareholders of the Company may at any time send their enquiries and concerns to the Board in writing to the Company Secretary at the Company's head office in Hong Kong at Room 1405, 14/F., China Merchants Tower, Shun Tak Centre, 166-200 Connaught Road Central, Sheung Wan, Hong Kong.

Right to put forward proposals at general meetings

Shareholders of the Company should follow the procedures set out in the sub-section headed "Right to convene SGM" above for putting forward proposals at general meetings.

INVESTOR RELATIONS

There is no significant changes in the Company's Bye-laws during the Year.

The Company considers that effective communication with shareholders of the Company is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the shareholders of the Company and in particular, through annual general meetings and other general meetings. The website of the Company is http://www.superrobotics.com.hk.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 26 March 2019 ("**Dividend Policy**") which shall take effect on 26 March 2019. The Dividend Policy allows the shareholders of the Company to participate in the Company's profits by provision of dividends whilst preserving the Company's liquidity to capture future growth opportunities. According to the Dividend Policy, the Board shall consider the following factors, among others, before proposing and declaring dividends:

(i) the Group's operation and financial performance;

(ii) the Group's capital requirements and future funding needs;

(iii) the liquidity conditions of the Group;

(iv) the availability of reserves of the Company and each of the members of the Group;

(v) any restriction on payment of dividends;

(vi) the general economic conditions and other internal and external factors that may have an impact on the business or financial performance and position of the Group; and

(vii) any other factors that the Board may consider relevant.

The declaration of dividends by the Company is also subject to the compliance with applicable laws and regulations, including the laws of Bermuda, the GEM Listing Rules, Bye-laws of the Company and any applicable laws, rules and regulations. The Dividend Policy will be reviewed from time to time by the Board and may adopt changes as appropriate at the relevant time. There can be no assurance that dividends will be paid in any particular amount for any given period.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

ABOUT THIS REPORT

We are delighted to present the Environmental, Social and Governance ("ESG") Report of SuperRobotics Holdings Limited (the "Company") together with its subsidiaries (collectively the "Group"). The Group's main operations include sales of beauty products and the provision of therapy services (the "Beauty Business"), as well as the provision of engineering products and related services (the "Engineering Business"). Note that the Beauty Business has been disposed as of July 2021.

We believe that sustainable business growth is of high priority to both the Group and its stakeholders. We are committed to providing quality and socially responsible products and services to the community, whilst minimising the environmental and social impacts from our operations.

The report is compiled in accordance with the disclosure requirement of the "comply or explain" provisions as detailed in the Environmental, Social and Governance Reporting Guide (ESG Guide) under Appendix 20 to the GEM Listing Rules issued by the Stock Exchange of Hong Kong Limited. The disclosure contents of this Report have been confirmed by the Board.

The reporting period of this report shall cover the period between 1 January 2021 and 31 December 2021.

ESG COMMITTEE

To enable more focused efforts in addressing issues related to ESG topics, the Group established a ESG Committee in December 2021. The ESG Committee is responsible for the development of the Group's governing ESG principles and policies, setting out the direction of the Group's ESG management strategy.

STAKEHOLDER ENGAGEMENT

We engage our stakeholders on an ongoing basis and seek to collect their views and expectations on our ESG performance and disclosures. In response to the interests and concerns of our stakeholders, the ESG performance of the Group was reviewed using the strictest corporate governance principles, with respect to environmental protection, employee development, community investment. The results of the review are presented in the following sections of the report.

To extend its efforts to a broader audience, the Group had consulted both its internal and external stakeholders on its potential impact on the environment and society as a result of its business operations. The Group understands and values a mutually-beneficial relationship with customers and suppliers, and thus included both parties as our consultation targets.

The table below presents key stakeholders of the Group as well as the engagement channels adopted by the Group during the year to communicate with the respective parties.

Internal Stakeholders
- The Board
- Management
- General Staff

External Stakeholders
- Shareholders
- Investors
- Customers
- Suppliers

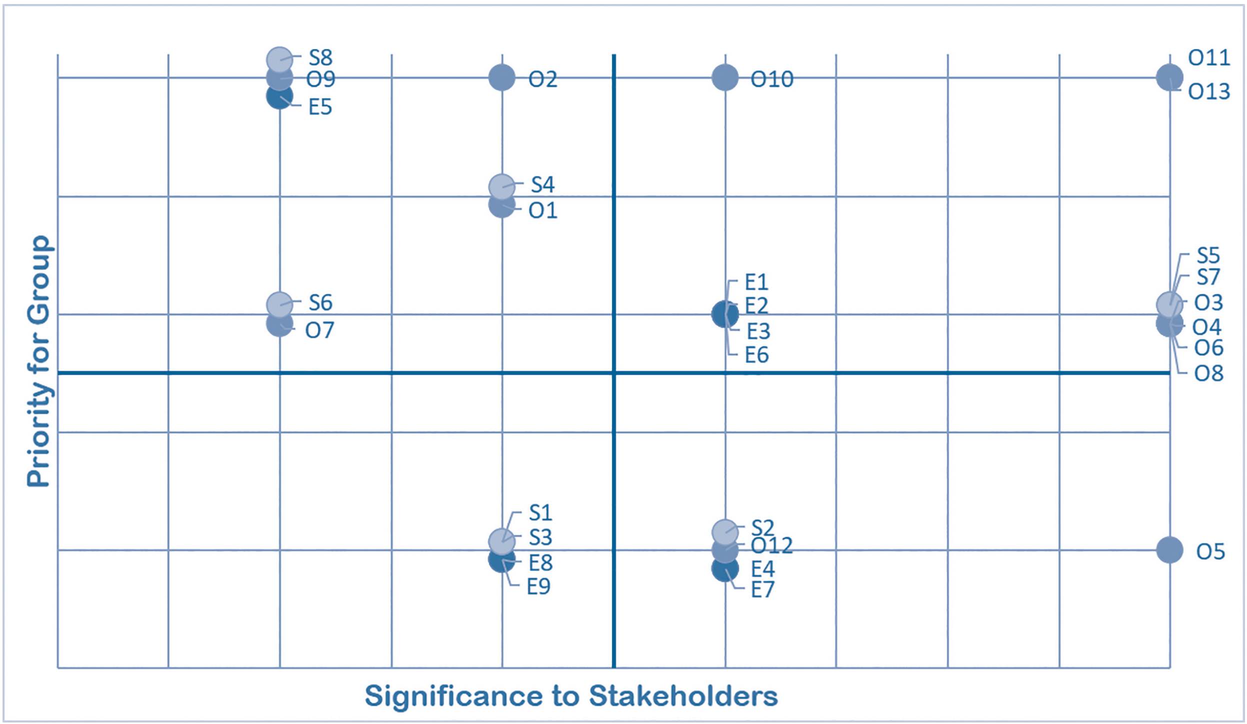
Engagement methods:

Meetings, staff performance appraisal interviews, interviews direct mail, internal publications, Annual General Meeting ("AGM") and announcements.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

MATERIALITY ASSESSMENT

To identify the key concerns and interests of the Group's internal and external stakeholders, such as customers, investors, employees, suppliers and the government, we have performed a materiality assessment, and the results of the assessment is presented in the below figures:



Legend

E1	Raw Materials Management	O1	Supplier Management	S1	Child Labour and Forced Labour Management
E2	Wastewater Management	O2	Innovation and Intellectual Property Rights	S2	Diversity and Equal Opportunity
E3	Energy Management	O3	Product Quality Management	S3	Human Right Protection
E4	Air Emission Management	O4	Product Health and Safety	S4	Talent Management
E5	Expenses on Environmental Protection	O5	Anti-competitive behaviour management	S5	Social and Economic Compliance
E6	Waste Management	O6	Product Sales and Labelling	S6	Training and Development
E7	Greenhouse Gases Management	O7	Occupational Safety and Health	S7	Community Relations
E8	Environmental Compliance	O8	Data Security and Customer Privacy Management	S8	Employee Communication
E9	Green Product Management	O9	Generation of Economic Value		
		O10	Anti-Corruption		
		O11	Company profitability		
		O12	Anti-discrimination		
		O13	Customer Satisfaction		

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

STAKEHOLDER FEEDBACK

Stakeholders' valuable feedback can help us continuously improve with respect to our environmental, social and governance strategy and performance. If you have any questions or comments regarding the contents of this report, please contact us through one of our communication channels.

ENVIRONMENTAL PROTECTION

The Group endeavours to create sustained business growth that is not achieved at the expense of our environment. The Group's environmental policy emphasises both impact management and efficient utilization of resources. This is achieved mainly through development of strategies relating to proper waste management, energy efficiency enhancement, and greenhouse gas (GHG) emissions reduction.

The Group is aware of the potential environmental impacts associated with its engineering business and has developed a set of internal regulations with the objective of minimising such impacts. Our robotics business, for instance, has implemented an environmental management system in line with the international standard ISO14001:2015.

Impact Awareness

To measure the impacts from our operations from the robotics business, we have implemented a number of environmental management policies, including Policy for Identification and Evaluation of Environmental Factors（環境因素識別與評價程序）, Policy for Monitoring and Surveying of Environmental Safety（環境安全監視和測量控制程序）, and Policy for Environmental Monitoring Management（環境監測管理程序）.

The Group adopts a risk-based approach to identify significant environmental aspects by measuring the scale of potential impact and its likelihood. This helps us prioritise mitigation measures to address activities identified to be the most impactful to the environment.

A systematic approach is adopted by the Group to identify factors of environmental impact associated with the Engineering Business. Factors covered by this analysis include emissions (including atmospheric, water, and noise), waste production, land pollution, use of resources, in addition to other environmental and social impacts. In addition to normal operation, the analysis considers potential impacts related to alternate operation modes and emergency scenarios. Major environmental factors identified from this exercise are managed and monitored regularly. In case of significant changes to the premises of the analysis, such as revisions in regulation, the impact identification process will be revisited.

Environmental Policy

In the latest issue of the Group's ESG policy, issued in December 2021, the Group has outlined defined its key environmental responsibilities, as summarized below:

Enhance Awareness

- Promote internationally-recognized environmental principles, commitments and responsibilities
- Ensure the Group's business operations comply with all relevant environmental legislations and standards
- Consider the environmental impacts associated with Group's services through the business cycle

Impact Management

- Ensure non-wastage, reuse and recycling of materials and resources, and dispose waste generated in a responsible manner

- Minimize carbon emissions and usage of energy & natural resources

- Identify and evaluate environmental impacts from the Group's business operations and mitigate any significant impacts

- Embrace sustainable development through good environmental management

- Commit to continuous improvement by monitoring environmental impacts from the Group's responsibilities and track our performance over time

Supplier Engagement

- Engage contractors and suppliers to persuade them to follow the Group's Environmental and Social Responsibility Policy and Code of Conduct, so that they operate in an environmentally responsible manner

- Support new technology with potential to provide long-term environmental benefits

- Encourage environmental responsibility with suppliers

Climate-Related Issues

The Group's business in robotics is not expected to be significantly impacted by climate-change. However, minimizing factors which contribute to global warming has, and continues to be a critical consideration in formulation of the Group's sustainable development strategy.

With the increasing importance of decarbonisation ambitions across the world, the Group will remain alert of significant policy changes, and is committed to reducing its environmental impact to minimize the impact of any potential tightening of environmental regulations on our business operations.

COVID-19 Impact on Environmental Performance

With continued impact from the COVID-19 pandemic, the Group's business operations has been further optimised in 2021. Also, with the disposal of the Beauty business. As a result, the emissions and resource consumption of the Group in 2021 were significantly different than previous years, and may not provide a representative indication of the Group's usual environmental performance.

Emissions

Greenhouse Gas Emissions

The Group puts great emphasis on energy conservation and GHG emission reduction at our premises. To mark our ambitions, the Group has targeted to reduce its GHG emissions by 10% by year 2030, and gradually progress towards achieving net zero emissions by year 2050.

To progress towards our carbon reduction target, we actively encourage the use of equipment with higher energy efficiency ratings. In addition, hydrofluorocarbon (HFC) refrigerants, which have lower global warming potential compared to traditional chlorofluorocarbon (CFC) and hydrochlorofluorocarbon (HCFC) refrigerants, are used in our air conditioning systems as far as possible to limit GHG emissions. To further reduce GHG emissions from refrigerant systems, the Group is planning to gradually switch to hydrocarbon refrigerants, which have much lower global warming potentials (GWP). The air conditioning systems at the Group's facilities are also regularly maintained to achieve higher energy efficiency and reduce associated GHG emissions.

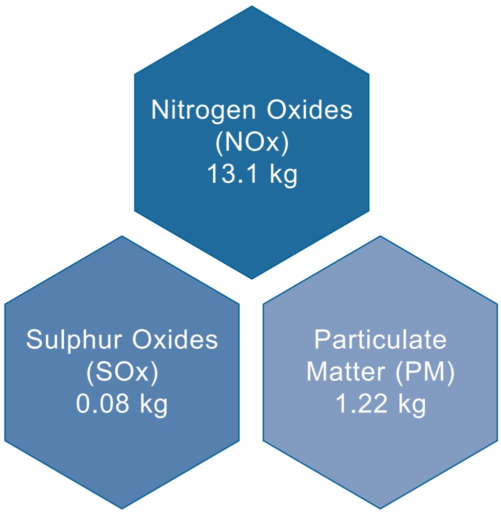
The Group is also committed to becoming an industry leader in exploring new technology for enhancing energy efficiency, including promoting the use of renewable energy and encouraging our suppliers & clients to reduce their GHG emissions. The Group has also incorporated low-carbon considerations as part of its product portfolio and material procurement philosophy.

To reduce automobile emissions, vehicles owned by the Group are regularly inspected and provided with proper maintenance. Also, purchase of vehicles with better fuel economy ratings is preferred, to reduce fuel consumption and associated expenses. Employees are encouraged to prevent idling during everyday use of vehicles.

During the reporting period, the Group operated in compliance with relevant laws and regulations relating to emissions, and generated 52 tonnes of greenhouse gas (GHG) emissions in total. The Group will continue to strive to minimize business travel through the use of videoconferencing where possible in substitute of face-to-face meetings.

Air Emissions

The major source of air emissions was from the use of petrol-powered automobiles, which emit NOx, SOx and particulate matter. Overall, of particulate matter were produced by the Group's operations in 2021 as below.



Environmental KPIs	Unit	**2021**	2020
Greenhouse gas (GHG) Emissions			
Scope 1 – Direct emissions	tonne CO_2e	**14.21**	14.42
Scope 2 – Energy indirect emissions	tonne CO_2e	**22.81**	33.44
Scope 3 – Other indirect emissions*	tonne CO_2e	**15.01**	26.13
Total Emissions	tonne CO_2e	**52.02**	73.99
Emission Intensity	kg CO_2e/1000 HKD revenue	**2.82**	1.48

* Includes contribution from business air travels and paper waste disposed at landfills

Use of Resources

The Group places a high priority on effective use of resources such as water, electricity, fuel and paper. Resource usage at our robotics offices is addressed in a dedicated policy regarding resource and energy consumption（資源能源控制規定）. Consumption is monitored on a monthly basis and corrective actions will be implemented in case excessive consumption is identified. Policies are also in place to regulate the use of air-conditioning. Indoor air-conditioning is turned on when the outdoor temperature is 30°C or higher, and is set at 26°C or above to limit electricity consumption while maintaining a suitable working environment. In addition, the Group's intends to operate its offices in a paperless environment, reducing paper usage where possible. Employees are recommended to use duplex printing and copying. In addition, most of our marketing materials were distributed through electronic means only.

The Group did not encounter any issues with the sourcing of water. Nevertheless, to reduce water consumption, reminders are posted within the Group's offices and beauty centres to promote water conservation practices.

Environmental KPIs	Unit	**2021**	2020
Energy Consumption			
Direct Energy Consumption			
Petrol	kWh	**30,833**	52,833
Indirect Energy Consumption			
Purchased Electricity	kWh	**28,155**	41,280
Energy Intensity	kWh/1000 HKD revenue	**3.20**	1.88
Water Consumption			
Water Consumed	m^3	**1,134**	2,900
Water Consumption Intensity	m^3/1000 HKD revenue	**0.06**	0.058

Managing our Waste

Waste management procedures have been implemented to properly segregate, store and dispose waste generated from our operations in accordance with regulatory requirements. Waste reduction, reuse and recycling of materials where possible are strongly encouraged. To achieve this, a representative from each department is assigned to ensure all produced waste are categorized and disposed accordingly. In addition, the importance of waste categorization, along with categorization techniques are regularly presented to all members of our staff through means such as meetings and signages. Our Waste Management Policy(廢棄物管理規定)also calls for routine maintenance and cleaning of waste collection locations within our facilities to limit foul odours and to repel insects. Relevant national and local laws and regulations with respect to waste disposal are strictly adhered to.

The Group has adopted a number of risk reduction measures at our Robotics manufacturing sites to limit emissions of contaminated water, as addressed in its Chemical Substances Management Policy(化學物質管理規定). Disposal of oil and chemicals into the sewer system is strictly prohibited. To prevent contamination of runoff, the Group prohibits the storage of hazardous substances and pollutants near stormwater drainage channels. Furthermore, stormwater channels are segregated from the wastewater disposal network at the Group's production facilities.

Hazardous Waste

The operation of the Group's medical skincare centre in Hong Kong generated medical waste such as syringes and needles, of which their disposal is executed in accordance with Waste Disposal (Clinical Waste) General Regulation (Cap 354O).

With the growth of the Group's robotics business, the quantity of spent battery generated from the Robotics business has continuously increased. To enhance the management of spent batteries, the Group promotes the recycling of batteries to prevent potential environmental contamination associated with improper disposal of batteries, such as release of heavy metals, as well as soil and groundwater pollution. Spent batteries from our businesses are screened and reused as appropriate to minimize hazardous waste generation. In addition, the Group promotes the use of green batteries, such as fuel cells and photovoltaic cells, to provide a clean and efficient electricity source.

In this reporting period, the Group generated a total of 0.26 tonnes of hazardous waste, which were disposed by authorised recycle factories. The Group will continue monitoring closely on reduction efforts to limit the production of hazardous waste.

Non-hazardous Waste

Waste generation data associated with the Group's daily operations is collected and logged in an organized fashion. Non-hazardous waste produced by our Beauty business includes but not limited to cotton swabs, shower caps, paper slippers and towels. As for our Robotics business, examples of typical non-hazardous wastes produced include cardboard cartons, hardware (e.g., screws, nuts, bolts), springs, gloves and masks.

During this reporting period, the Group generated a total of 1.20 tonnes of non-hazardous waste. The Group will continue monitoring closely on reduction efforts.

Environmental KPIs	Unit	**2021**	2020
Waste Production			
Hazardous waste produced	tonne	**0.26**	0.34
Non-hazardous waste produced	tonne	**1.20**	5.00

Packaging Materials

During the reporting period, it was recorded that a total of 0.15 tonnes of packaging material was used for the packaging of finished products, which includes cardboard and cartons for transport.

Environmental KPIs	Unit	**2021**	2020
Packaging Materials			
Total	tonne	**0.15**	2.7

The Group promotes the reduction of packaging material consumption, and the use of recycled and/or recyclable materials for packaging. Optimisation of packaging material usage helps reduce the Group's waste generation, as well as reduce costs associated with packaging materials.

Recycling

In addition to the reducing consumption, the Group also promotes the recycling of materials to minimize waste generation.

The Group has set a target to achieve 15% waste diversion by year 2030, and to have zero waste sent to landfill by 2050. The Group will promote circular economy, through assessment and analysis of our material consumption and disposal.

SOCIAL

Employment and Labour Practices

Employment

The business of the Group spreads across two industry sectors. The Group understands that our staff is the key to the success of our business and we adopt a people-centric strategy to human capital management. To attract and motivate talent, the Group is committed to providing a rewarding career and maintaining a safe, and positive environment. Our human resources policies and handbook provides clear guidance covering various employment aspects including compensation, dismissal, recruitment, promotion, rest periods, equal opportunity, diversity, anti-discrimination, welfare, and other benefits.

Recruiting and retaining talent is vital to our business growth. To identify and secure suitable young talent with the needed knowledge and skillsets for our high-tech robotics business, we work closely with universities in Shenzhen, Mainland China for campus recruitment. In addition, through usage of popular social media platforms such as WeChat, our career recruitment network extends beyond Shenzhen to engage and attract aspiring talents from the rest of Mainland China.

As one of its guiding principles, the Group commits to growing its business in a manner that is both sustainable and socially responsible. It is the Group's goal to maintain its best management practices and evolve with time through a continual improvement process.

During the reporting period, the Group was in compliance with relevant labour laws in Hong Kong SAR and PRC, including but not limited to regulations on compensation and dismissal, recruitment and promotion, equal-opportunity and anti-discrimination.

Equal Opportunities, Diversity and Anti-Discrimination

The Group is committed to ensure that our employees are given equal opportunities with respect to recruitment, promotion, training & development, compensation and other aspects of employment practices. All forms of discrimination are prohibited, including on the grounds of gender, religion, race, sexual orientation, age, family status, disability, maternity or political affiliation. This principle against discrimination is applied across all aspects of our human resource management philosophy.

Work-Life Balance

To enhance employee engagement and encourage collaboration, during the year, we organise a range of teambuilding activities, including an outdoor team-bonding day, corporate basketball matches, and public speaking competitions amongst colleagues. Furthermore, the employees are welcomed to organize hobby clubs based on their interests. The Group has allocated an annual sponsorship budget to fund the operations of hobby clubs.

Remuneration

Our employees are assessed and incentivised based on their performance. The Group reviews the remuneration package annually to maintain competitiveness in the market. The Group strictly follows the requirements for working hours and holidays defined in local laws in the jurisdictions where its operations are located. Our employees are entitled to local statutory holidays and paid leaves. In addition, our employees are provided with other forms of paid time off, such as marriage leave, compassionate leave, maternity leave and paternity leave.

Retirement Benefit Scheme

The Group participates in the Mandatory Provident Fund (MPF) scheme and have fulfilled the employer contribution requirements during the Reporting Period in accordance with the Mandatory Provident Fund Schemes Ordinance (Cap. 485). For the employees of the Engineering Business which operate in PRC, the Group makes contributions to the central pension scheme operated by the local municipal government, in compliance with the Labour Law of the People's Republic of China.

During the year ended 31 December 2021, the total contributions paid or payable to the pension fund scheme by the Group amounted to approximately HK$1.5 million (approximately HK$0.3 million in 2020), which has been recognized as expenses and included in employee costs in the consolidated statement of comprehensive income.

In addition to standard compensation packages and bonuses, we offer a range of supplementary benefits to our Beauty business employees, including medical coverage, footwear allowance, complementary beauty treatments, staff discounts and meal allowance. For our Engineering business employees, meal and transportation subsidies are provided, in addition to gift-money for special occasions such as Lunar New Year, Mid-Autumn Festival and employee birthdays.

As of 31 December, 2021, the Group has a total of 77 employees, which are all full-time employees. The breakdown of our workforce distribution is presented in the following table:

Total Number of Employees	77	
Employee Gender Distribution		
Number of Male Employees	62	81%
Number of Female Employees	15	19%
Employee Age Distribution		
Within the age group <24	1	1%
Within the age group 24-30	17	22%
Within the age group 31-40	51	66%
Within the age group 41-50	7	9%
Within the age group 51-60	1	1%
Within the age group >60	0	0%
Employee Geographic Distribution		
Hong Kong	7	9%
Mainland China	70	91%

Health and Safety

Occupational health and safety (OHS) and the wellbeing of our employees are one of the Group's key priorities. The Group adopts proper procedures at the workplace to ensure employees have sufficient training and support.

The Engineering Business has implemented an OHSAS18001:2007-compliant occupational safety system, with policies and processes in place which clearly define requirements on the continuous improvement of safety risk management. Employees are required to participate in regular safety training, consisting of seminars and workshops to enhance safety awareness and be equipped with necessary safety knowledge.

During the reporting period, the Group was in compliance with relevant laws and regulations relating to the provision of safe working environments and protection of employees from occupational hazards.

Safe Handling of Hazardous Substances

The Group keeps record of all hazardous substances handled within the Group's facilities, documenting information such as the department(s) using the substance, storage location and physical & chemical properties. Specific firefighting measures have been developed based on the hazardous properties of the individual substances. Compatibility between hazardous substances is taken into careful consideration to reduce the risks with leaks, contamination and undesired chemical reactions. Storage depots are provided for storing hazardous chemicals in larger quantities or for over a long period of time. To avoid mishandling of chemicals, containers are provided with colour-coded labels to indicate potential flammable/toxic hazards.

Fire Safety

Firefighting provisions are inspected on a daily basis and maintenance is provided where required to ensure proper functioning of emergency response equipment. Evacuation routes on-site are regularly surveyed to ensure no obstacles are present. The Group maintains consistent contact with local environmental ministries and fire departments to maintain up-to-date information with respect to safety and environmental protection. In addition, fire drills and safety seminars are conducted every year to prepare our employees for potential fire emergencies.

Occupational Health

Personnel working at the Group's engineering business are equipped with suitable personal protection equipment (PPEs) such as gloves, masks and earmuffs to limit exposure to hazardous chemicals and loud noise. Training is provided to workers to ensure proper use of PPEs. In addition, staff is provided with annual health check-ups and are treated accordingly in case any occupational sickness is diagnosed. The Occupational Health and Safety Management System at our engineering business is in compliance with ISO 45001:2018.

At Group's Beauty Business, sharp materials such as needles are used during the delivery of medical skincare services which can pose health and safety risks. Hence, beauty centre staffs are provided with induction and refresher training on safety procedures to reduce the number of workplace injuries. In addition, reminders are set up at the workplace highlighting standard operating procedures and the appropriate emergency response in the event of accidental injury. All workplace injuries and near-miss incidents are required to be reported to the Group for further review.

Therapists are provided with a break of at least 15 minutes between beauty therapy sessions; this aims to help them better concentrate at work and minimise health and safety risks due to fatigue.

During the reporting period, no work-related injury cases were recorded during the Group's operations.

COVID-19 Response

In response to the COVID-19 pandemic, the Group introduced a number of policies to safeguard the wellbeing of its staff. This includes the provision of masks and disinfecting agents to prevent the spreading of the pandemic at our facilities. Body temperature screening is required prior to access to work locations, and staff members are instructed to wash hands often and avoid gatherings and contact with external personnel.

In addition, in accordance with policies introduced by the Hong Kong SAR government, we ensured that adequate separation distances are provided at treatment areas at our Beauty business, in addition to thorough sterilization of all instruments and equipment prior to delivery of beauty treatments to our customers. Beauty treatments requiring the use of facial steamers were suspended. Furthermore, our beauty centres operated by reservation only to ensure strict control on the number of customers present at the centre. In effort to minimize customer inconvenience, we proactively contacted our customers to notify them of our operational changes implemented during the COVID-19 period.

Development and Training

The Group believes that continuous development and training of its staff is the key to sustaining its high service quality and competitiveness in the market. Employees are engaged from time to time for members of the management to understand their developmental needs and encourage them to learn new skills and knowledge for professional and personal development.

The Group's engineering business requires a high level of skills and expertise. To keep our engineers up-to-date with the latest robotics technology development, we typically arrange training courses on the robotics product line, software programming, robotics design, technology and manufacturing process & safety. Depending on specific training needs, we also invite external consultants to deliver training courses. During the reporting period, we have provided a number of training sessions for our employees in the robotics business, covering the following topics:

- Contract law knowledge
- Inspection of materials
- Process for handling of defective goods from QA
- Software quality

During the reporting period, the Group's employees received a total of 40.5 man-hours of training. The average training received per employee was 0.5 hours during the reporting period. A breakdown of training statistics is presented below:

Training Statistics	
Total Training Hours	
Male Employees	22.5
Female Employees	18
Senior Management Staff	0
Middle Management Staff	8.5
Other Employees	32
Average Training Hours	
Male Employees	0.4
Female Employees	1.2
Senior Management Staff	0
Middle Management Staff	1.1
Other Employees	0.6

Labour Standards

The Group strictly complies with the labour standards in the local jurisdictions where its businesses are located, including "Labour Law of the People's Republic of China"《中華人民共和國勞動法》, "Labour Contract Law of the People's Republic of China"《中華人民共和國勞動合同法》, "Provisions and Prohibition of Using Child Labour"《禁止使用童工規定》, "Law of the People's Republic of China on the Protection of Minors"《中華人民共和國未成年人保護法》as well as the Employment Ordinance (Cap. 57) of Hong Kong. Use of child or forced labour in our operations is strictly prohibited, and is enforced through verification of identity information of job candidates. In the event of the discovery of child or forced labour within our operations, the concerned staff members will be prevented from performing further work at our facilities. We expect our suppliers to adhere to the same standard of labour practices.

Operating Practices

Supply Chain Management

The Group interacts with a number of suppliers and avoids use of a single supplier for products and services to minimise supply chain risks. We are committed to upholding high ethical and professional standards when dealing with suppliers. We have established and implemented a procedure for supplier monitoring and screening. Compliance with national and local laws and regulations is an essential criterion in our supplier-selection process. Supplier performance, including quality and safety, is assessed regularly; in the event of unsatisfactory performance, the supplier will be required to take timely follow-up actions. Suppliers failing to comply with our standards can be suspended from initiating business operations with us.

In addition to our Engineering Business, our Quality Assurance team conducts factory inspections to assess the quality and suitability of the products, as well as to identify any failures during production. Our Procurement team will be informed should suppliers fail the inspection and such suppliers shall subsequently be removed from the approved list.

As of December 2021, the Group has 74 suppliers, with all of them located in Mainland China.

Product Responsibility

The quality of our products and impeccable customer service is the foundation to the long-term sustainability of our business. The Group aspires to deliver high-standard beauty solutions, engineering products and related professional services to our customers.

We are committed to delivering products of high quality. Our Engineering Business has implemented a quality management system in line with the ISO9001:2015 standard. Independent and accredited laboratories are engaged to assure the quality, performance and durability of our products such as bomb-disposal robots, to ensure compliance with customer specifications and relevant regulatory requirements. With an aim to facilitate quality management efficiency at our Engineering Business, we plan to set up in-house testing laboratories for our robotic and line machinery products at our future manufacturing facilities. Products that do not meet customer requirements or have potential safety concerns will be subject to investigation and recall; follow-up actions will be timely taken as appropriate to identify and rectify the root cause.

Our Beauty Business has stringent criteria on product ingredients, certification and the place of origin when procuring beauty products. Products that are free of fragrance and preservatives are given priority. Products are tested by our experienced staff prior to customer use. We have stronger preferences on skincare treatment machines that are being certified by reputable authorities such as the US Food and Drug Administration.

Our medical skincare centre adheres to its “3S” core values when delivering beauty therapy services to the customers, namely “strive for excellent and sustainable development” through excellent service, “self-esteem” through professional expertise and “sincere” through understanding the needs of customers.

Upon receipt of complaints about the Group’s services or products, a thorough internal investigation will be performed to identify any potential issues with the Group’s quality control procedure. Corrective actions, where necessarily, will be implemented to ensure that the Group’s operational excellence will not be jeopardized.

During the reporting period, the Group was in compliance with relevant laws and regulations relating to health & safety, advertising, labelling, with respect to the products and services provided by the Group. Also, there were no recalls of the Group’s products due to safety and health reasons, and there no significant complaints were identified with regards to the Group’s products and services.

Customer Feedback

We welcome constructive feedback from our customers and provide them with various communication channels. At our Beauty Business, customer opinions and feedback is collected through questionnaires after therapy. Customer complaints including post-treatment allergic reactions are documented in writing upon receipt for follow-up. Our customer service staffs are well-trained and capable of handling customer complaints in a timely and efficient manner. Compensation is decided and provided to customers based on our established procedures for confirmed cases.

Privacy and Intellectual Property Rights

The Group is committed to protecting customer privacy and has established and implemented respective policies and procedures. All employees are required to sign a Confidentiality and Non-Disclosure Agreement and abide by its requirements.

The Group respects intellectual property rights and is committed to avoiding any infringement of intellectual property rights of other parties. Employees are required to obtain licences or other permissions and follow relevant requirements. Most of our robotics products are developed in-house and out of our patent applications, 11 patents were granted in Mainland China in 2021. Our employees are required to strictly follow relevant laws and regulations, as well as internal policies and procedures in protecting our own intellectual property rights from infringement.

Anti-corruption

The Group attaches great importance to business integrity and upholds high standards in business ethics. We have zero tolerance for any form of corruption, bribery, fraud, and money laundering and have specified relevant requirements to all employees in the employee handbook. Employees are provided with channels to raise concerns and report any suspected misconduct in a confidential manner. Reported cases are investigated and evidences are collected for evaluation. Where required, necessary actions will be taken based on the conclusions of the investigation.

The operation of the Group complies with the standards of conduct specified in the relevant regulations and laws relating to bribery, extortion, fraud and money laundering. This includes “Criminal Law of the PRC”《中華人民共和國刑法》, “Interim Provisions on Banning Commercial Bribery”《關於禁止商業賄賂行為的暫行規定》in mainland China, and “Prevention of Bribery Ordinance” of Hong Kong. There were no cases of corruption during the reporting period.

Regulatory Compliance

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas such as environmental protection, employment, labour practices and operating practices.

Community Investment

The Group strives to contribute to the community with its resources and expertise. We have been supporting non-profit organizations in their community projects by offering charitable donations.

In the coming years, we will continue to seek opportunities to cooperate with other external organisations to increase our community outreach and contribution.

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

To the shareholders of SuperRobotics Holdings Limited
(Incorporated in Cayman Islands and continued in Bermuda with limited liability)

DISCLAIMER OF OPINION

We have audited the consolidated financial statements of SuperRobotics Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 130, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the *Basis for Disclaimer of Opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

We draw attention to note 3 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK$50,516,000 and had a net cash used in operating activities of HK$26,845,000 during the year ended 31 December 2021. As at 31 December 2021, the Group had a shareholders' deficits of HK$165,121,000 and net current liabilities of HK$98,344,000 including cash and cash equivalents of HK$20,835,000 and other borrowings of HK$132,643,000.

These conditions, together with other matters described in note 3 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The directors have been undertaking certain measures as set out in note 3 to the consolidated financial statements to improve the Group's liquidity and financial position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including: (i) successful drawdown the funds from available facilities provided by 惠州市金達勝投資有限公司 (Huizhou Jindasheng Investment Limited*); (ii) successful implementation of business plans for its robotics business and improve operating results and generating of cash inflows; and (iii) successful to source additional funding from external resources.

As a result of these multiple uncertainties, the potential interaction of these uncertainties and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

** for identification purpose only*

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Ho Kwan with Practising Certificate number P07543.

Elite Partners CPA Limited
Certified Public Accountants

10/F, 8 Observatory Road,
Tsim Sha Tsui, Kowloon
Hong Kong

20 May 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000* (Restated)
Continuing operation			
Revenue	*7*	**18,455**	22,754
Cost of sales		**(13,121)**	(37,670)
Gross profit/(loss)		**5,334**	(14,916)
Other income	*8*	**17,549**	2,937
Other gains and losses, net	*9*	**15,011**	(27,623)
Selling and distribution expenses		**(5,750)**	(8,344)
Administrative expenses		**(41,414)**	(75,326)
Operating loss	*10*	**(9,270)**	(123,272)
Finance costs	*11*	**(24,054)**	(11,935)
Loss before income tax		**(33,324)**	(135,207)
Income tax credit	*14*	**328**	4,724
Loss for the year from continuing operation		**(32,996)**	(130,483)
Discontinued operations			
Loss for the period/year from discontinued operations	*17*	**(17,520)**	(1,402)
Loss for the year		**(50,516)**	(131,885)
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(7,927)**	(10,470)
Reclassification adjustments of exchange differences on liquidation of a foreign subsidiary		**–**	978
Other comprehensive loss for the year		**(7,927)**	(9,492)
Total comprehensive loss for the year		**(58,443)**	(141,377)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 *HK$'000*	2020 *HK$'000* (Restated)
Loss for the year attributable to:			
Owners of the Company		**(36,944)**	(109,602)
Non-controlling interests		**(13,572)**	(22,283)
		(50,516)	(131,885)
Loss for the year from continuing operation attributable to:			
Owners of the Company		**(18,202)**	(106,218)
Non-controlling interests		**(14,794)**	(24,265)
		(32,996)	(130,483)
(Loss)/profit for the period/year from discontinued operations attributable to:			
Owners of the Company		**(18,742)**	(3,384)
Non-controlling interests		**1,222**	1,982
		(17,520)	(1,402)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(41,609)**	(112,752)
Non-controlling interests		**(16,834)**	(28,625)
		(58,443)	(141,377)

	Note	2021	2020 (Restated)
Loss per share	*16*		
From continuing and discontinued operations			
Basic and diluted *(HK cents)*		**(7.30)**	(21.65)
From continuing operation			
Basic and diluted *(HK cents)*		**(3.60)**	(20.98)
From discontinued operations			
Basic and diluted *(HK cents)*		**(3.70)**	(0.67)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	18	**5,092**	11,787
Right-of-use assets	19	**–**	2,349
Intangible assets	20	**–**	18,266
Deposits	23	**–**	1,196
		5,092	33,598
Current assets			
Inventories	21	**9,427**	10,801
Trade receivables	22	**3,434**	6,487
Deposits, prepayment and other receivables	23	**5,170**	12,636
Prepaid tax		**927**	732
Restricted bank deposits	24	**–**	19,017
Cash and cash equivalents	24	**20,835**	57,966
		39,793	107,639
Assets classified as held for sale	25	**1,160**	–
		40,953	107,639
Total assets		**46,045**	141,237
Equity and liabilities			
Capital and reserves			
Share capital	26	**50,622**	50,622
Reserves		**(104,970)**	(75,226)
Capital deficiencies attributable to owners of the Company		**(54,348)**	(24,604)
Non-controlling interests		**(110,773)**	(93,939)
Total capital deficiencies		**(165,121)**	(118,543)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Liabilities			
Non-current liabilities			
Deferred tax liabilities	*31*	**–**	–
Other borrowings	*29*	**60,054**	156,478
Amounts due to directors	*36*	**–**	17,067
Interest payables	*28*	**11,815**	15,097
Lease liabilities	*19*	**–**	1,874
		71,869	190,516
Current liabilities			
Trade payables	*27*	**4,439**	1,521
Accruals and other payables	*28*	**57,285**	25,681
Other borrowings	*29*	**72,589**	–
Contract liabilities	*30*	**3,770**	32,529
Lease liabilities	*19*	**1,214**	9,533
		139,297	69,264
Total liabilities		**211,166**	259,780
Total equity and liabilities		**46,045**	141,237
Net current (liabilities)/assets		**(98,344)**	38,375
Total assets less current liabilities		**(93,252)**	71,973
Net liabilities		**(165,121)**	(118,543)

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 May 2022 and are signed on its behalf by:

Su Zhituan	**Fan Yu**
Director	*Director*

The accompanying notes from an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company								
	Share capital — ordinary share HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note a)	Translation reserve HK$'000 (Note b)	Share option reserve HK$'000 (Note c)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total capital deficiencies HK$'000
As at 1 January 2020	50,622	488,163	27,141	3,179	25,422	(574,116)	20,411	6,607	27,018
Loss for the year	—	—	—	—	—	(109,602)	(109,602)	(22,283)	(131,885)
Other comprehensive loss for the year	—	—	—	(3,150)	—	—	(3,150)	(6,342)	(9,492)
Total comprehensive loss for the year	—	—	—	(3,150)	—	(109,602)	(112,752)	(28,625)	(141,377)
Equity-settled share-based compensation	—	—	—	—	250	—	250	—	250
Forfeiture of share options	—	—	—	—	(22,904)	22,904	—	—	—
Change in ownership interests in a subsidiary without loss of control *(Note 37)*	—	—	—	(3,618)	—	71,105	67,487	(62,121)	5,366
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	(9,800)	(9,800)
As at 31 December 2020 and as at 1 January 2021	**50,622**	**488,163**	**27,141**	**(3,589)**	**2,768**	**(589,709)**	**(24,604)**	**(93,939)**	**(118,543)**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(36,944)**	**(36,944)**	**(13,572)**	**(50,516)**
Other comprehensive loss for the year	**—**	**—**	**—**	**(4,665)**	**—**	**—**	**(4,665)**	**(3,262)**	**(7,927)**
Total comprehensive loss for the year	**—**	**—**	**—**	**(4,665)**	**—**	**(36,944)**	**(41,609)**	**(16,834)**	**(58,443)**
Equity-settled share-based compensation	**—**	**—**	**—**	**—**	**15**	**—**	**15**	**—**	**15**
Contribution from a shareholder *(Note 13)*	**—**	**—**	**11,850**	**—**	**—**	**—**	**11,850**	**—**	**11,850**
As at 31 December 2021	**50,622**	**488,163**	**38,991**	**(8,254)**	**2,783**	**(626,653)**	**(54,348)**	**(110,773)**	**(165,121)**

Notes:

(a) With effect from 22 April 2014, the Company had been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda (the "Change in Domicile"). Contributed surplus represents the amount transferred from share premium for the purpose of setting off against the accumulated losses pursuant to the Companies Act 1981 of Bermuda and the special resolution passed at the extraordinary general meeting held on 28 February 2013 as a result of the Change in Domicile and related capital reorganisation. During the year ended 31 December 2021, Mr. Su Zhituan ("Mr. Su"), being the director and shareholder of the Company, agreed to waive the amount due to him as a financial support to the Company.

(b) Translation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) which are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

(c) Share option reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised in other operating expenses with a corresponding increase in the share option reserve.

The accompanying notes from an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Loss before income tax from continuing operation	**(33,324)**	(135,207)
Loss before income tax from discontinued operations	**(17,240)**	(1,012)
Adjustments for:		
Amortisation of other intangible assets	**–**	6,730
Depreciation of property, plant and equipment	**3,502**	7,448
Depreciation of right-of-use assets	**2,349**	11,038
Equity-settled share-based compensation	**15**	250
Gain on early termination of leases	**(558)**	–
Gain on novation of contracts	**(4,042)**	–
Gain on modification of financial liabilities	**(17,010)**	–
Gain on liquidation of a subsidiary	**–**	(8,310)
Impairment loss recognised in respect of goodwill	**–**	21,037
Impairment loss recognised in respect of other receivables	**24**	–
Impairment loss recognised in respect of property, plant and equipment	**2,274**	6,194
Impairment loss recognised in respect of other intangible assets	**–**	6,047
Impairment loss recognised in respect of right-of-use assets	**–**	7,862
(Reversal of)/write-down of slow-moving inventories	**(2,570)**	4,303
Reversal of provision of long services payment	**(77)**	–
Covid-19-related rent concession	**(350)**	(705)
Finance costs	**24,080**	12,181
Interest income	**(63)**	(107)
Waiver of directors' remunerations	**(14,167)**	–
Written off of goodwill	**18,266**	–
Written off of inventories	**–**	4,588
Loss on disposal and written off of property, plant and equipment	**279**	576
Others	**–**	(387)
Operating cash flows before movements in working capital	**(38,612)**	(57,474)
Changes in inventories	**3,642**	8,654
Changes in trade receivables	**2,969**	9,316
Changes in deposits, prepayment and other receivables	**4,685**	1,082
Changes in trade payables	**3,008**	(5,934)
Changes in accruals and other payables	**(7,669)**	(2,875)
Changes in amounts due to directors	**–**	6,450
Changes in contract liabilities	**5,279**	(6,451)
Cash used in operations	**(26,698)**	(47,232)
Tax paid	**(147)**	(1,065)
Net cash used in operating activities	**(26,845)**	(48,297)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Cash flows from investing activities		
Interest received	**63**	107
Placement of restricted bank deposits	**–**	(47)
Released of restricted bank deposits	**19,017**	–
Proceeds from disposal of property, plant and equipment	**224**	12
Purchases of property, plant and equipment	**(493)**	(849)
Repayment of loan from a third party	**3,800**	–
Loan advance to a third party	**–**	(3,800)
Net cash generated from/(used in) investing activities	**22,611**	(4,577)
Cash flows from financing activities		
Dividend paid to non-controlling interests	**–**	(9,800)
Proceeds from other borrowings	**31,347**	98,747
Repayment of lease liabilities (including interest)	**(9,451)**	(10,858)
Repayment of other borrowings	**(48,980)**	–
Net cash (used in)/generated from financing activities	**(27,084)**	78,089
Net (decrease)/increase in cash and cash equivalents	**(31,318)**	25,215
Cash and cash equivalents at the beginning of the reporting period	**57,966**	32,708
Effect of foreign exchange rate changes	**(5,813)**	43
Cash and cash equivalents at the end of the reporting period	**20,835**	57,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SuperRobotics Holdings Limited (the "Company") was incorporated in the Cayman Islands and with effect from 22 April 2014, the Company deregistered in the Cayman Islands and continued in Bermuda with limited liability. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the "Company Information" section to the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of engineering products and related services (the "Robotics Business"). The Group was also principally engaged in the sale of beauty products and provision of therapy services (collectively referred as the "Beauty Business"). On 30 June 2021, China Honest Enterprise Limited ("CHEL"), a non-wholly owned subsidiary of the Company, completed to novate all its rights, benefits, interests, obligation and liabilities of contracts entered into by CHEL with the customers (the "Novation") in connection with the Beauty Business to an independent third party. Upon completion of the Novation, the Group was ceased to engaged into Beauty Business, thus sale of beauty and provision of therapy services were discontinued accordingly.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000"), unless otherwise stated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations[5]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for business combinations/common control combination for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022.

The directors anticipate that the application of new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation of the consolidated financial statements *(continued)*

Going concern basis

During the year ended 31 December 2021, the Group incurred a net loss of HK$50,516,000 and had a net cash used in operating activities of HK$26,845,000. As at 31 December 2021, the Group had a capital deficiencies of HK$165,121,000 and net current liabilities of HK$98,344,000 including cash and cash equivalents of HK$20,835,000 and other borrowings of HK$132,643,000.

The Coronavirus Disease 2019 ("COVID-19") outbreak that led to a series of severe administrative control and precautionary measures taken by governments and authorities in the People's Republic of China (the "PRC") disrupted the operations of the Group's Robotics Business in the PRC.

Demand and sales order for Robotic Business were slowed down during 2021.

The duration and intensity of the COVID-19 outbreak and related containment measures remained uncertain. If the present situation in respect of the COVID-19 outbreak continued and the restrictions and control measures are prolonged, the Group's operating performance and cash flows may continue to be adversely affected.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

In view of these circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

(i) On 4 January 2021, other borrowings obtained from 惠州市金達勝投資有限公司 (Huizhou Jindasheng Investment Limited* or "HJIL"), who is non-controlling interests of the Group's certain subsidiaries, amounting to approximately RMB32,100,000 (equivalent to HK$39,306,000) under a facility for the repayment terms of 24 months from drawdown date, which has been extended the repayment terms to 48 months from drawdown date ("Facility I"). On 1 December 2021, the Group has entered into another borrowing facility agreement with HJIL for a borrowing facility with a limit of RMB50 million which interest bearing at 18% per annum, secured by entire equity interest in a non-wholly owned subsidiary of the Group, 深圳市安澤智能機器人有限公司 ("Anzer") and repayable 48 months from drawdown date ("Facility III"). Interest shall be payable upon repayment of principal under both Facility I and Facility III. As at 31 December 2021, other borrowings with principal amounts outstanding to HJIL under Facility I and facility II ("Facility II") amounted to approximately RMB32,100,000 (equivalent to HK$39,306,000) and approximately RMB67,138,000 (equivalent to HK$82,211,000) respectively and no outstanding other borrowings under Facility III. As at 20 May 2022, facilities of approximately RMB3,360,000 (equivalent to HK$4,114,000), RMB8,822,000 (equivalent to HK$10,803,000) and RMB50,000,000 (equivalent to HK$61,225,000) are available from Facility I, Facility II and Facility III respectively. It is expected that borrowings will continue to be available for drawdown under these facilities as and when needed in the next twelve months;

* *for identification purpose only*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation of the consolidated financial statements *(continued)*

Going concern basis *(continued)*

(ii) the Group will continue to take active measures to improve profitability and cash flows through various initiatives, such as, leveraging capital investments made in automation to reduce production costs, reduce the material costs through the use of in-house developed components and software, control the staff costs through streamlining headcounts; purchase equipment through leasing arrangements and building stronger relationships with major customers to secure more recurring orders to improve the Group's cash flows from operations; and

(iii) the Group will continue to source additional funding from external resources.

The directors have reviewed the Group's cash flow projection covering a period of not less than twelve months from 31 December 2021 prepared by the management and have considered the possible downward changes in its operating performance. They are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether management of the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) the successful drawdown the funds from abovementioned facilities as and when needed;

(ii) the successful implementation of business plans for its Robotics Business and improve operating results and generating of cash inflows; and

(iii) the successful to source additional funding from external resources.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation of the consolidated financial statements *(continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to owners of the Company and to non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to non-controlling interests even if this results in non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

Sales of engineering products

Sales of engineering products are recognised when control of products has transferred, being when the products are delivered to the customers. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the discounts. No significant element of financing is deemed present as the sales are made with a credit term stated in the contract up to 120 days. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

The Group requires customers to provide certain percentage of upfront deposits of total contract sum upon signing the contract. Deposits received are recognised as contract liabilities.

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

The Group typically agrees to a retention period of 12 months from the date of the delivery of engineering products to certain customer for the specified percentage of the contract value stated in the contracts. Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which is normally 12 months from the date of delivery. The relevant amounts of contract assets are reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the products supplied comply with agreed-upon specification and such assurance cannot be purchased separately.

Provision of engineering related services

The Group provides equipment installation automation systems. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised based on the stage of completion of the contract using output method.

The Group's engineering services contracts include payment schedules which require stage payments over the period once certain specified milestones are reached. The Group requires certain customers to provide certain upfront deposits range of total contract sum, when the Group receives a deposit before the project commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which typically is one year from the date of the practical completion of the services. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

Sale of beauty products

The Group operates a beauty centre selling beauty products. Revenue from the sales of beauty products are recognised when the Group sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the beauty products and takes delivery in store. Retail sales are usually settled in cash or by credit card.

Revenue from therapy services

Revenue from the provision of therapy services are recognised in the accounting period when the services have been rendered to customers. Receipt of proceeds in respect of therapy treatment packages for which the relevant services have not been rendered are deferred and recognised as “contract liabilities” in the consolidated statement of financial position.

Most of the Group’s therapy services are sold on a prepaid basis. The service period of a prepaid package is mainly within one year and the Group has a right to extend the service period at its discretion based on the circumstances. Prepaid services are not refundable and the Group’s customers may not utilise all of their contractual rights within the service period and these unutilised services are referred to as “breakage”. An expected amount of breakage is estimated by management based on the historical experience of customers’ utilisation and expected future utilisation pattern of the Group’s prepaid services and is recognised as revenue in proportion to the pattern of services provided to customers.

After the recognition of revenue from treatments provided and breakage, any residual deferred revenue at the end of the relevant service period, after taking into account any extension that may be granted by the Group at its discretion, are fully recognised as revenue in the consolidated statement of comprehensive income. Services which are not sold on a prepaid basis is recognised in full when the services have been rendered to customers.

Leases

Definition of a lease

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of offices and plant 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 lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Lease liabilities

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

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

Covid-19-related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Retirement benefit costs

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed in the MPF Scheme. Under the MPF Scheme, the employer and its employees are each required to make contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

The employees of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's employer contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions).

The Group participates in a retirement scheme for qualified employees of its subsidiary in Canada. Under the retirement scheme, each of the employer and its employees make monthly contributions to the scheme at 5% of the relevant income (comprising wages and salaries) at maximum. The monthly contributions of each of the employer and the employee are subject to a cap of CAD2,749 (equivalent to HK$16,961). The Group has no further obligations for post-retirement benefits beyond the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

When shares granted are vested, the amount previously recognised in share option reserve will be transferred to share premium.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before income tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset 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 the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Plant and machinery	20%-33%
Leasehold improvement	20%-33%
Furniture, fixtures and equipment	14%-33%
Motor vehicles	20%-25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (the “CGUs”) (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(continued)*

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

Amortised cost and interest income

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits, other receivables, restricted bank deposits and cash and cash equivalents). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables without significant financing component.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

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

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including (trade payables, accruals and other payables (excluding employee benefits and other tax payables), interest payables, amounts due to directors and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition and modification of financial liabilities

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

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

A discontinued operation is a component of the entity that is part of a single coordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions *(continued)*

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales from Robotics Business are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Contingent assets and contingent liabilities

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and they are not recognised in the consolidated financial statements. The Group assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Group recognises the asset and the related income in the consolidated financial statements in the reporting period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related party

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

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of 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 parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation, amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amount of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Details of the impairment of property, plant and equipment, right-of-use assets and intangible assets are disclosed in note 20 to the consolidated financial statements.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Details are disclosed in note 20 to the consolidated financial statements

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Provision of ECL for trade receivables and other financial assets

Trade receivables with significant balances or credit-impaired and all other financial assets measured at amortised cost are assessed for ECL individually.

In addition, the Group use practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on past due aging of debtors as groupings of various debtors taking into consideration of the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and other financial assets are disclosed in note 5 to the consolidated financial statements.

Write-down of inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments:

	2021	2020
	HK$'000	*HK$'000*
Financial assets		
Amortised cost	**28,252**	93,536
Financial liabilities		
Amortised cost	**190,270**	201,366

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits, other receivables, restricted bank deposits, cash and cash equivalents, trade payables, accruals and other payables (excluding employee benefits and other tax payables), interest payables, amounts due to directors and other borrowings. Details of the financial instruments for the Group are disclosed in respective notes to the consolidated financial statements.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

The risks associated with these financial instruments include market risk (foreign exchange risk and cash flow and fair value interest rate risk), credit risk and impairment assessment and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

Foreign exchange risk

The Group mainly operates in Hong Kong, the PRC and Canada with majority transactions settled in HK$, Renminbi ("RMB"), Canadian dollar ("CAD") and United States dollar ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in currencies other than the functional currency of the individual group companies and net investment in foreign operations.

As at 31 December 2021 and 2020, most of the financial assets and liabilities of the Group's subsidiaries are denominated in their respective functional currencies. Hence, the directors consider the Group does not have any material foreign exchange risk exposure. No sensitivity analysis is presented.

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

Cash flow and fair value interest rate risk

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

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's assets and liabilities, which bear variable interest rates mainly, include cash at bank and restricted bank deposits. The directors do not anticipate significant change in cash flow as a results of change in market interest rates, thus no sensitivity analysis is presented.

Management manages the interest rate risk exposure through regular review to determine the funding strategy as appropriate to its current business profile.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, deposits, other receivables, restricted bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery or in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs sooner	Amount is written off	Amount is written off

Trade receivables arising from contracts with customers

The Group has concentration of credit risk as 25% (2020: 28%) and 98% (2020: 89%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In order to minimise credit risk, the Group has delegated its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Trade receivables arising from contracts with customers (continued)

The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Customers with significant outstanding balances or credit-impaired with gross amounts of HK$860,000 and nil respectively as at 31 December 2021 (2020: HK$3,589,000 and HK$715,000) were assessed individually.

As at 31 December 2021

	Expected loss rate *%*	**Gross amounts** *HK$'000*	**Loss allowance** *HK$'000*
Current (not past due)	**–**	**1,785**	**–**
1-3 months past due	**–**	**293**	**–**
3-6 months past due	**–**	**495**	**–**
Over 6 months past due	**–**	**1**	**–**
		2,574	**–**

As at 31 December 2020

	Expected loss rate *%*	Gross amounts *HK$'000*	Loss allowance *HK$'000*
Current (not past due)	–	1,513	–
1-3 months past due	–	186	–
3-6 months past due	–	311	–
Over 6 months past due	–	888	–
		2,898	–

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The ECL for collectively assessed trade receivables and customers with significant outstanding balances who assessed individually are not material.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Trade receivables arising from contracts with customers (continued)

Trade receivables in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. Trade receivables are written off when there is no reasonable expectation of recovery. The ECL in respect of individually assessed trade receivables which classified as credit-impaired as at 31 December 2021 are assessed to be approximately nil (2020: HK$715,000).

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for deposits are insignificant and thus no loss allowance is recognised except for amount due from a former subsidiary and other receivables together with the amounts of approximately HK$241,420,000 (2020: HK$241,420,000) were classified as credit-impaired.

Restricted bank deposits/bank balances

Credit risk on restricted bank deposits/bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for restricted bank deposits/bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposits/bank balances is considered to be insignificant and therefore no loss allowance was recognised.

The following table shows the movement in lifetime ECL (credit-impaired) that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit-impaired) *HK$'000*
As at 1 January 2020	674
Exchange realignment	41
As at 31 December 2020 and as at 1 January 2021	715
Written off	(715)
As at 31 December 2021	**–**

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The following table shows the movement in lifetime ECL (credit-impaired) that has been recognised for amount due from a former subsidiary and other receivables under the general approach.

	Lifetime ECL (credit-impaired) *HK$'000*
As at 1 January 2020, as at 31 December 2020 and as at 1 January 2021	241,420
Impairment loss recognised	24
Written off	(24)
As at 31 December 2021	**241,420**

Liquidity risk

Ultimate responsibility for liquidity risk rests with the board of directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate level of cash and cash equivalents and by continuously monitoring forecast and matching the maturity profiles of financial assets and liabilities.

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

	On demand or within 1 year *HK$'000*	**Within 2-5 years** *HK$'000*	**Total undiscounted cash flows** *HK$'000*	**Carrying amounts** *HK$'000*
As at 31 December 2021				
Non-derivative financial liabilities				
Trade payables	**4,439**	**–**	**4,439**	**4,439**
Accruals and other payables	**41,373**	**13,617**	**54,990**	**53,188**
Other borrowings	**86,749**	**77,559**	**164,308**	**132,643**
Lease liabilities	**1,218**	**–**	**1,218**	**1,214**
	133,779	**91,176**	**224,955**	**191,484**

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	On demand or within 1 year	Within 2-5 years	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2020				
Non-derivative financial liabilities				
Trade payables	1,521	–	1,521	1,521
Accruals and other payables	11,203	15,097	26,300	26,300
Other borrowings	–	213,898	213,898	156,478
Amounts due to directors	–	17,067	17,067	17,067
Lease liabilities	10,025	1,885	11,910	11,407
	22,749	247,947	270,696	212,773

(c) Fair value of financial instruments

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximates to their fair values.

(d) Capital management

The primary objective of the Group's capital management is to safeguard that the entities in the Group will be able to continue as a going concern and maintain healthy ratios in order to support its business and enhance shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue of new shares and repurchase of shares as well as issue of new debts or redemption of existing debts. The Group's capital management objective, policies or processes were unchanged from prior year.

The Group is not subject to any external imposed capital requirements.

5. FINANCIAL INSTRUMENTS *(continued)*

(d) Capital management *(continued)*

The Group monitors capital using gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current other borrowings, interest payables, non-current portion amounts due to directors and lease liabilities), less cash and cash equivalents. Total capital is calculated as "total deficits", as shown in the consolidated statement of financial position plus net debt. The net debt amounts and gearing ratios at the end of the reporting period were as follows:

	2021	2020
	HK$'000	*HK$'000*
Total borrowings	**166,830**	200,049
Less: cash and cash equivalents	**(20,835)**	(57,966)
Net debt	**145,995**	142,083
Total capital deficiencies	**(165,121)**	(118,543)
Net debt to equity ratio	**N/A**	N/A

6. SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to and reviewed by the executive directors, being the Group's chief operating decision-maker (the "CODM"), which are used for the purposes of assessing performance and making strategic decisions. The Group's operating segments are structured and managed separately according to the nature of their operations, and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

The Group has three operating segments during the year ended 31 December 2021. Particulars of the Group's reportable segments for continuing and discontinued operations are summarised as follows:

Continuing operation

Provision of engineering products and related services *(Note)*

Discontinued operations

(a) Sale of beauty products; and

(b) Provision of therapy services.

6. SEGMENT INFORMATION *(continued)*

The Group engaged in the Beauty Business during the year ended 31 December 2021. Upon completion of the Novation on 30 June 2021, the Beauty Business was discontinued accordingly. Details of the discontinued operation is set out in note 17 to the consolidated financial statements. Thereafter, the CODM considered the Group has only one operating segment under HKFRS 8 *Operating Segments*, accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Note: For the engineering products, the Group offers robotic products. For the provision of engineering related services, the Group provides equipment installation, support and maintenance services for robotics and automation systems.

Geographical information

Since over 90% of the Group's revenue from continuing operation and non-current assets (excluded those relating to discontinued operations) were generated from and located in the PRC for both years, no geographical segment information in accordance with HKFRS 8 is presented.

Information about major customers

Details of the customers individually representing 10% or more of the Group's revenue are as follows:

	2021	2020
	HK$'000	*HK$'000*
Continuing operation		
Customer A	**10,321**	7,896

Except for disclosed above, no other customers contributed 10% or more to the Group for both years.

7. REVENUE

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operation		
Revenue from contracts with customers		
Provision of engineering products and related services	**18,455**	22,754

	2021 HK$'000	2020 HK$'000 (Restated)
Timing of revenue recognition		
At a point in time	**16,689**	22,754
Over time	**1,766**	–
	18,455	22,754

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contract for provision of engineering products and related services such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract for provision of engineering products and related services that had an original expected duration of one year or less.

8. OTHER INCOME

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operation		
Interest income from bank deposits	**5**	9
Government grants	**3,163**	2,296
Waiver of directors' remunerations *(Note 13)*	**14,167**	–
Sundry income	**214**	632
	17,549	2,937

During the year ended 31 December 2021, the Group recognised government grant in respect of subsidies provided by the PRC local government in respect of research and development as a support. There were no unfulfilled conditions or contingencies relating to these government grants.

9. OTHER GAINS AND LOSSES, NET

	2021 HK$'000	2020 HK$'000
Continuing operation		
Forfeiture of rental deposits	–	225
Gain on early termination of leases	(558)	–
Gain on liquidation of a subsidiary *(Note)*	–	(8,310)
Gain on modification of financial liabilities	(17,010)	–
Impairment loss recognised in respect of other receivables	24	–
Impairment loss recognised in respect of goodwill *(Note 20)*	–	21,037
Impairment loss recognised in respect of property, plant and equipment *(Note 18)*	2,274	6,194
Impairment loss recognised in respect of right-of-use assets *(Note 19)*	–	7,862
Loss on disposal and written off of property, plant and equipment	203	576
Exchange losses	56	–
Others	–	39
	(15,011)	27,623

Note:

During the year ended 31 December 2020, a subsidiary was liquidated resulting in a gain on liquidation of HK$8,310,000.

10. OPERATING LOSS

Operating loss has been arrived at after charging/(crediting):

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operation		
Auditor's remuneration:		
– audit services	887	1,580
– non-audit services	34	54
Amortisation of other intangible assets (included in cost of sales)	–	6,730
Cost of inventories sold	12,091	22,626
Depreciation of property, plant and equipment	3,112	6,218
Depreciation of right-of-use assets	99	6,259
(Reversal of)/write-down of slow-moving inventories	(2,570)	4,303
Impairment loss recognised in respect of other intangible assets (included in cost of sales) *(Note 20)*	–	6,047
Written off of inventories	–	4,588
Expenses relating to short-term leases	1,920	1,794
Expenses relating to lease of low-value assets	16	–
Staff costs (including directors' emoluments)	30,864	49,751

11. FINANCE COSTS

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operation		
Imputed interest on other borrowings	**4,080**	–
Imputed interest on interest payables	**708**	–
Interest on lease liabilities	**180**	450
Interest on other borrowings	**19,086**	11,485
	24,054	11,935

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operation		
Salaries and other allowances	**28,910**	49,109
Discretionary bonus	**14**	–
Pension costs – defined contribution plans	**1,925**	392
Equity-settled share-based compensation	**15**	250
	30,864	49,751

	2021 HK$'000	2020 HK$'000
Discontinued operations		
Salaries and other allowances	**5,997**	11,098
Discretionary bonus	**149**	3,916
Severance payments	**798**	–
Pension costs – defined contribution plans	**184**	365
	7,128	15,379

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2020: three) directors whose emoluments are reflected in the analysis shown in note 13 to the consolidated financial statements. The emoluments payable to the remaining three (2020: two) individuals (including both continuing and discontinued operations) for both years are as follows:

	2021	2020
	HK$'000	*HK$'000*
Salaries and other allowances	**4,192**	4,738
Discretionary bonus	**–**	3,600
Pension costs – defined contribution plans	**73**	18
	4,265	8,356

The emoluments of the aforementioned individuals fell within the following bands:

	Number of individuals	
	2021	2020
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**–**	–
HK$3,500,001 – HK$4,000,000	**–**	–
HK$5,000,001 – HK$5,500,000	**–**	1
	3	2

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the five highest paid individuals waived or agreed to waive any emoluments for both years.

13. DIRECTORS' EMOLUMENTS

Analysis of directors' remuneration on named basis is as follows:

For the year ended 31 December 2021

	Fees *HK$'000*	Salaries and other allowance *HK$'000*	Discretionary bonus *HK$'000*	Pension costs *HK$'000*	Total *HK$'000*
Executive directors					
Mr. Su	3,950	–	–	–	3,950
Mr. Sun Ziqiang ("Mr. Sun") (resigned on 30 December 2021)	5,000	–	–	–	5,000
Non-executive director					
Mr. Fan Yu (appointed on 15 September 2020)	120	–	–	–	120
Independent non-executive directors					
Mr. Tam B Ray, Billy	150	–	–	–	150
Ms. Han Xiao (appointed on 30 November 2021)	12	–	–	–	12
Ms. Zhao Yang (appointed on 30 December 2021)	–	–	–	–	–
Mr. Chu Kin Wang, Peleus (resigned on 30 November 2021)	138	–	–	–	138
Dr. Wang Dangxiao (resigned on 30 December 2021)	133	–	–	–	133
	9,503	–	–	–	9,503

13. DIRECTORS' EMOLUMENTS *(continued)*

For the year ended 31 December 2020

	Fees *HK$'000*	Salaries and other allowance *HK$'000*	Discretionary bonus *HK$'000*	Pension costs *HK$'000*	Total *HK$'000*
Executive directors					
Mr. Su	3,950	–	–	–	3,950
Mr. Sun (resigned on 30 December 2021)	5,000	–	–	–	5,000
Mr. Fu HengKe (resigned on 2 June 2020)	2,083	–	–	–	2,083
Mr. Wu Ying (appointed on 15 September 2020 and resigned on 17 December 2020)	–	–	–	–	–
Non-executive directors					
Mr. Fan Yu (appointed on 15 September 2020)	35	–	–	–	35
Mr. Cheng Yu (resigned on 15 September 2020)	85	–	–	–	85
Independent non-executive directors					
Mr. Tam B Ray, Billy	150	–	–	–	150
Mr. Chu Kin Wang, Peleus (resigned on 30 November 2021)	150	–	–	–	150
Dr. Wang Dangxiao (resigned on 30 December 2021)	150	–	–	–	150
	11,603	–	–	–	11,603

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors.

None of the directors received or will receive any retirement benefits or termination benefits during the year (2020: Nil).

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

During the year ended 31 December 2021, except for Mr. Su and Mr. Sun waived the emoluments of approximately HK$11,850,000 and HK$14,167,000 outstanding to them up to 31 December 2021, no other directors waived or agreed to waive any emoluments. None of the directors waived or agreed to waive any emoluments for the year ended 31 December 2020.

Except for disclosed in note 36 to the consolidated financial statements, no other transactions, arrangements and contracts in relation to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year.

14. INCOME TAX CREDIT

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operation		
Canada corporation tax incentive *(note)*	**328**	1,338
Deferred tax credit *(Note 31)*	**–**	3,386
	328	4,724

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, except for Anzer which qualified as High and New Technology Enterprises up to 11 December 2023 and entitled to a preferential tax rate of 15% for the year ended 31 December 2021.

Canada subsidiaries are subject to Canada corporate tax at 26.5% for both years.

No provision for the Hong Kong Profits Tax, PRC Enterprise Income Tax and Canada corporate tax has been made as the Group have no estimated assessable profit for both years.

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

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operations		
Loss before tax	**(33,324)**	(135,207)
Tax at domestic income tax rate	**(5,629)**	(30,509)
Tax effect of:		
Income not taxable for tax purpose	**(6,660)**	(2,703)
Expenses not deductible for tax purpose	**4,701**	6,653
Estimated tax losses not recognised	**7,588**	23,173
Tax incentive *(note)*	**(328)**	(1,338)
Income tax credit for the year	**(328)**	(4,724)

Note: The Company's subsidiaries in Canada claimed a refundable tax credit as being a qualifying corporation for qualified expenditures on scientific research and experimental development performed in Ontario. The amount of HK$328,000 (2020: HK$1,338,000) of Ontario innovation tax credit was refunded by Canada Revenue Agency during the year ended 31 December 2021.

15. DIVIDENDS

No final dividend was paid or proposed during the year, nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period (2020: nil).

16. LOSS PER SHARE

From continuing and discontinued operations

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

	2021	2020
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the period/year attributable to owners of the Company)	**(36,944)**	(109,602)

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**506,220**	506,220

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic loss per share calculation, the exercise of the above potential dilutive shares is not assumed in the calculation of diluted loss per share for both years.

From continuing operation

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

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(18,202)**	(106,218)

The weighted average number of ordinary shares used herein are same as those detailed above for the purpose of basic and diluted loss per share from continuing and discontinued operations respectively.

16. LOSS PER SHARE *(continued)*

From discontinued operations

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

	Period from 1 January 2021 to respective date of the Novation	From 1 January 2020 to 31 December 2020
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the period/year attributable to owners of the Company)	**(18,742)**	(3,384)

The weighted average number of ordinary shares used herein are same as those detailed above for the purpose of basic and diluted loss per share from continuing and discontinued operations respectively.

17. DISCONTINUED OPERATIONS

On 30 June 2021, CHEL completed to the Novation with the customers in connection with the Beauty Business to an independent third party. Upon completion of the Novation, the Group was ceased to engaged into Beauty Business, thus sale of beauty and provision of therapy services should be classified as the discontinued operations. As a result of the Novation, a gain on novation with the amount of approximately HK$4,042,000 included in "other gains and losses, net" of discontinued operations represented as the differences between contract liabilities outstanding by the Group as at the date of Novation and the prepaid services fee by the customers which the Group required to transfer as at the date of the Novation. Details are set out in the Company's announcement dated 30 June 2021.

The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the Beauty Business as discontinued operations.

The result of the discontinued operations for the period/year, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period from 1 January 2021 to respective date of the Novation	From 1 January 2020 to 31 December 2020
	HK$'000	*HK$'000*
Revenue	**14,006**	32,259
Cost of sales	**(10,816)**	(21,000)
Gross profit	**3,190**	11,259
Other income	**798**	2,727
Other gains and losses, net	**(14,300)**	–
Selling and distribution expenses	**(2,517)**	(3,840)
Administrative expenses	**(4,385)**	(10,912)
Operating loss	**(17,214)**	(766)
Finance costs	**(26)**	(246)
Loss before income tax	**(17,240)**	(1,012)
Income tax expense	**(280)**	(390)
Loss for the period/year from discontinued operations	**(17,520)**	(1,402)

17. DISCONTINUED OPERATIONS *(continued)*

Loss for the period/year from discontinued operations has been arrived at after charging/(crediting):

	Period from 1 January 2021 to respective date of the Novation	From 1 January 2020 to 31 December 2020
	HK$'000	*HK$'000*
Covid-19-related rent concession (included in other income)	**(350)**	(705)
Cost of inventories sold	**260**	378
Depreciation of property, plant and equipment	**390**	1,230
Depreciation of right-of-use assets	**2,250**	4,779
Expenses relating to lease of low-value assets	**37**	29
Gain on novation of contracts (included in other gains and losses, net)	**(4,042)**	–
Interest on lease liabilities	**26**	246
Staff costs	**7,128**	15,379
Loss on disposal and written off of property, plant and equipment	**76**	–
Written-off of goodwill (included in other gains and losses, net)	**18,266**	–

Cash flows of the discontinued operations for the period/year were as follows:

	Period from 1 January 2021 to respective date of the Novation	From 1 January 2020 to 31 December 2020
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**27**	(539)
Net cash generated from/(used in) investing activities	**19,074**	(710)
Net cash used in financing activities	**(2,385)**	(14,875)
Net cash inflow/(outflow)	**16,716**	(16,124)

18. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Leasehold improvement HK$'000	Furniture, fixture and equipment HK$'000	WIFI and connection equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
As at 1 January 2020	16,659	14,218	17,123	23,519	1,969	73,488
Additions	824	9	16	–	–	849
Disposals and written off	–	(1,623)	(361)	(23,224)	–	(25,208)
Exchange realignment	530	457	557	(295)	74	1,323
As at 31 December 2020 and as at 1 January 2021	18,013	13,061	17,335	–	2,043	50,452
Additions	68	–	–	–	425	493
Disposals and written off	(5,361)	(9,893)	(8,185)	–	(425)	(23,864)
Reclassified as held for sale *(Note 25)*	(3,450)	–	–	–	–	(3,450)
Exchange realignment	1,435	228	854	–	60	2,577
As at 31 December 2021	10,705	3,396	10,004	–	2,103	26,208
Accumulated depreciation and impairment						
As at 1 January 2020	7,637	8,053	8,692	23,519	919	48,820
Depreciation charge during the year	2,484	2,191	2,296	–	477	7,448
Disposals and written off	–	(1,052)	(344)	(23,224)	–	(24,620)
Impairment loss recognised *(Note 20)*	24	3,348	2,822	–	–	6,194
Exchange realignment	161	484	431	(295)	42	823
As at 31 December 2020 and as at 1 January 2021	10,306	13,024	13,897	–	1,438	38,665
Depreciation charge during the year	1,735	22	1,447	–	298	3,502
Disposals and written off	(5,361)	(9,878)	(8,122)	–	–	(23,361)
Reclassified as held for sale *(Note 25)*	(2,290)	–	–	–	–	(2,290)
Impairment loss recognised *(Note 20)*	319	–	1,955	–	–	2,274
Exchange realignment	1,282	228	766	–	50	2,326
As at 31 December 2021	5,991	3,396	9,943	–	1,786	21,116
Carrying amounts						
As at 31 December 2021	**4,714**	**–**	**61**	**–**	**317**	**5,092**
As at 31 December 2020	7,707	37	3,438	–	605	11,787

Depreciation expense of approximately HK$303,000 (2020: HK$956,000), HK$1,717,000 (2020: HK$6,331,000) and HK$1,482,000 (2020: HK$161,000) was charged to "cost of sales", "administrative expenses" and "inventory" respectively.

Details of impairment assessment of Robotics Business CGU are set out in note 20 to the consolidated financial statements.

19. LEASES

(a) Amounts recognised in the consolidated statement of financial positions

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

	2021	2020
	HK$'000	*HK$'000*
Right-of-use assets		
Leased properties	**–**	2,349
Lease liabilities		
Current	**1,214**	9,533
Non-current	**–**	1,874
	1,214	11,407

Additions to the right-of-use assets during the year ended 31 December 2021 were nil (2020: HK$212,000).

Lease liabilities with the amounts of approximately HK$1,214,000 and nil (2020: HK$7,130,000 and HK$1,807,000) were denominated in RMB and CAD respectively.

As at 31 December 2021, the incremental borrowing rates applied to lease liabilities was 4.31% (2020: 3.95% to 5.38%).

Details of impairment assessment of Robotics Business CGU are set out in note 20 to the consolidated financial statements.

(b) Total cash outflow for leases

The total cash outflow for leases during the year ended 31 December 2021 was approximately HK$11,424,000 (2020: HK$12,681,000).

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

The Group leases various offices, warehouses and beauty premises during the years ended 31 December 2021 and 2020. Rental contracts are typically made for fixed periods of 3 months to 5 year during the years ended 31 December 2021 and 2020.

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

The Group regularly entered into short-term leases for office, plant and office equipment. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in notes 10 and 17 respectively. As at 31 December 2021, the outstanding lease commitments relating to the short-term leases is HK$1,342,000 (2020: HK$452,000).

19. LEASES *(continued)*

(d) Rent concession

During the year ended 31 December 2021, lessors of the relevant office and shop provided rent concessions that occurred a direct consequence of the COVID-19 to the Group through rent reductions ranging from 30% to 40% (2020: 20% to 66%) over 1 month to 3 months (2020: 3 months).

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK$350,000 (2020: HK$705,000) were recognised as a negative variable lease payments. The Covid-19 rent concessions related to the Beauty Business.

20. INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
As at 1 January 2020	97,154	34,779	131,933
Exchange realignment	1,379	608	1,987
As at 31 December 2020 and as at 1 January 2021	98,533	35,387	133,920
Written off	(18,266)	–	(18,266)
Exchange realignment	521	230	751
As at 31 December 2021	80,788	35,617	116,405
Accumulated amortisation and impairment			
As at 1 January 2020	57,144	21,572	78,716
Amortisation charge during the year	–	6,730	6,730
Impairment loss recognised	21,037	6,047	27,084
Exchange realignment	2,086	1,038	3,124
As at 31 December 2020 and as at 1 January 2021	80,267	35,387	115,654
Exchange realignment	521	230	751
As at 31 December 2021	80,788	35,617	116,405
Carrying amounts			
As at 31 December 2021	**–**	**–**	**–**
As at 31 December 2020	18,266	–	18,266

20. INTANGIBLE ASSETS *(continued)*

Impairment of other intangible assets of HK$6,047,000 in relation to provision of engineering products and related services CGU (the "Robotics Business CGU") has been included in costs of sales for the year ended 31 December 2020.

Goodwill of HK$18,266,000 arose from the acquisition of CHEL was allocated to the Beauty Business CGU, which are operating segments. Goodwill with the amounts of HK$18,266,000 was written-off as a result of the Novation on 30 June 2021.

Goodwill arose from the acquisition of ESI Automation System Corporation ("ESI") of HK$80,788,000 (2020: HK$80,267,000) was allocated to the Robotics Business CGU.

Other intangible assets, arose from the acquisition of the ESI, represents the patents registered in various countries. Other intangible assets are amortised over the estimated useful life of 5 years. For the year ended 31 December 2020, amortisation of HK$6,730,000 has been charged to "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

Impairment assessment of Beauty Business CGU

The Group reviewed the goodwill allocated to the Beauty Business CGU for impairment assessment as at 31 December 2020. The recoverable amount of Beauty Business CGU is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a pre-tax discount rate of 17.5% per annum.

The financial budgets are prepared based on a five-year business plan having considered the past performance, achievement of business targets, stability of core business developments and sustainability of business growth. The financial projections assume a terminal growth rate of 2% per annum beyond the five-year period taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors assessed the recoverable amount of the Beauty Products and Services CGU with reference to the valuations performed by Vigers Appraisal Consulting Limited ("Vigers"), an independent qualified professional valuer, and determined that no impairment loss is required for the year ended 31 December 2020 as the recoverable amounts exceed the carrying amounts.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

20. INTANGIBLE ASSETS *(continued)*

Impairment assessment of Robotics Business CGU

As at 31 December 2021, non-financial assets of the Group's Robotics Business CGU mainly included intangible assets (including goodwill and other intangible assets), property, plant and equipment, and right-of-use assets attributable to the Robotics Business CGU of nil, HK$7,399,000 and nil (2020: HK$86,314,000, HK$16,113,000 and HK$7,862,000) respectively, before impairment provision.

As at 31 December 2021, the recoverable amounts of the property, plant and equipment of the Group's Robotics Business CGU have been determined based on their fair value less costs of disposal. The Group uses depreciated replacement cost method or market approach where appropriate to estimate the fair value less costs of disposal of the assets which is based on the recent transaction prices for similar property, plant and equipment adjusted for their nature, location and conditions. The fair value measurement is categorised into Level 3 fair value hierarchy.

For the purpose of impairment assessment, the recoverable amount of Robotics Business CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a pre-tax discount rate of 22.5% per annum as at 31 December 2020.

The financial budgets are prepared based on a five-year business plan considering the past performance, achievement of business targets, stability of core business development and sustainability of business growth. The financial budgets have also taken into consideration the developments of the Robotics Business, including changes in the product mix, refinement of the targeted customer segments as well as the resulting changes to expected costs and margins. It has also taken into consideration of the result of scale down of the business and relocation of research and development function during the year ended 31 December 2020 in respond to cost saving initiatives partially a result from the adverse impact brought by COVID-19. The financial projections assume gross margins of approximately 30%-35%, and a terminal growth rate of 2% per annum beyond the five-year period taking into account of long term gross domestic product growth, inflation rate and other relevant economic factors.

The directors assessed the recoverable amount of the Robotics CGU with reference to the valuations performed by International Valuation Limited (2020: Vigers). As at 31 December 2021, the carrying amounts of the Robotics Business CGU was reduced to its recoverable amount through recognition of an impairment loss of approximately nil (2020: HK$21,037,000), nil (2020: HK$6,047,000), HK$2,274,000 (2020: HK$6,194,000) and nil (2020: HK$7,862,000) in respect of goodwill, other intangible assets, property, plant and equipment, and right-of-use assets, respectively. These losses are included in the consolidated statement of profit or loss and other comprehensive income. The impairment is mainly a result of the difficult market environment which was further accelerated by the adverse effect brought by COVID-19 leading to the demand and sales order of the operations and the relocation of the CGU's research centre from Canada to the PRC in 2020 which affected the performance of the CGU's growth momentum.

If the gross margin used in the value in use calculation for the Robotics Business CGU deviate by 3% from management's estimates as at 31 December 2020, the recoverable amount of Robotics Business CGU would not be significantly affected.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% lower or higher than management's estimates as at 31 December 2020, the recoverable amount of Robotics Business CGU would not be significantly affected.

21. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**1,597**	3,401
Work in progress	**2,156**	2,963
Finished goods	**5,674**	4,437
	9,427	10,801

During the year ended 31 December 2021, the reversal of write-down of slow moving inventories of approximately HK$2,570,000 (2020: write-down of inventories of HK$4,303,000 and written off of inventories of HK$4,588,000) has been included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

22. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables from contracts with customers	**2,574**	5,453
Credit card receivables	**860**	1,749
Less: Allowance for credit losses	**–**	(715)
	3,434	6,487

As at 1 January 2020, trade receivables from contracts with customers (before allowance for credit losses) amounted to approximately HK$10,433,000.

The Group allows credit periods to customers ranging from 0 day to 120 days.

The aging analysis of trade receivables (net of allowance for credit losses) presented based on earliest of invoice date or revenue recognition date is as follows:

	2021 HK$'000	2020 HK$'000
0-30 days	**1,974**	2,296
31-60 days	**60**	503
61-90 days	**44**	499
Over 90 days	**1,356**	3,189
	3,434	6,487

22. TRADE RECEIVABLES *(continued)*

As at 31 December 2021, trade receivables with amounts of approximately HK$1,426,000 (2020: nil) due from companies which Mr. Su has equity interests on these companies.

As at 31 December 2021, included in the Group's trade receivables are debtors with aggregate carrying amounts of HK$789,000 (2020: HK$1,385,000) (net of allowance for credit losses) which are past due as at the end of the reporting period. Out of the past due balances, HK$496,000 (2020: HK$1,199,000) (net of allowance for credit losses) has been past due 90 days or more and is not considered as in default due to good track record of the debtors with the Group. The Group does not hold any collateral over these balances.

As at 31 December 2021, trade receivables with amounts of approximately HK$2,574,000 (2020: HK$2,898,000) (net of allowance for credit losses) are denominated in RMB.

23. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	2021 ***HK$'000***	2020 *HK$'000*
Deposits	**1,328**	2,831
Prepayment	**1,187**	3,766
Other receivables *(Note i)*	**2,655**	7,235
	5,170	13,832
Amount due from a former subsidiary *(Note ii)*	**241,420**	241,420
Less: Allowance for credit losses	**(241,420)**	(241,420)
	–	–
	5,170	13,832
Less: Deposits classified as non-current portion	**–**	(1,196)
Amounts presented as current portion	**5,170**	12,636

As at 31 December 2021, deposits, prepayment and other receivables with amounts of approximately HK$4,649,000 and HK$235,000 (2020: HK$4,932,000 and HK$497,000) are denominated in RMB and CAD respectively.

Notes:

(i) Included in other receivables as at 31 December 2020 was a loan to a third party of HK$3,800,000 which is unsecured, bearing interest at 5% per annum and repayable by September 2021. During the year ended 31 December 2021, the loan was fully repaid.

(ii) Included in the other receivables was a balance of HK$241,420,000 due from Blu Spa Group Limited, a former subsidiary. The balance was unsecured, interest-free and repayable on demand. The subsidiary had not been consolidated since July 2011 due to lack of books and records and was subsequently disposed of at HK$1 on 19 December 2014 to Koffman Investment Limited, a company held by a former director of the Company. Full impairment had been made by 30 June 2014. During the year ended 31 December 2019, the directors filed a claim against the related former auditors (the "Former Auditors"). On 19 April 2022, the Group entered into a settlement agreement (the "Settlement Agreement") with the Former Auditors in which the Former Auditors agreed to compensate the Group with the amounts of approximately HK$19,800,000 (inclusive of all interest and costs) (the "Compensation"). The Compensation will be received by instalment which HK$12,000,000 will be received within 20 business days from the Settlement Agreement and the remaining balance will be by relevant instalments. The Company will be received approximately of HK$4,978,000 (net of all interest and costs).

24. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash at bank and cash on hand	**20,835**	57,966
Restricted bank deposits	**–**	19,017
	20,835	76,983
Maximum exposure to credit risk	**20,770**	76,834

Bank balances earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted bank deposits were deposits held at a bank in respect of credit card and instalment sales arrangement from its sale of beauty products and provision of therapy services for various periods of between one month to three months and earn interest at rates ranging from 0.1% to 0.4% per annum as at 31 December 2020.

As at 31 December 2021, amounts of approximately HK$208,000 (2020: HK$47,897,000) of the Group's cash and cash equivalents placed with banks in the PRC were denominated in RMB, which is subject to foreign exchange control regulations of the PRC.

As at 31 December 2021, cash and cash equivalents with amounts of approximately HK$219,000, HK$2,000 and HK$819,000 (2020: HK$48,009,000, HK$5,000 and HK$50,000) are denominated in RMB, USD and CAD respectively.

25. ASSETS CLASSIFIED AS HELD FOR SALE

On 30 June 2021, as a result of completion of the Novation by CHEL, the Group was ceased to engaged into Beauty Business, the directors intended to dispose the entire property, plant and equipment which allocated to the Beauty Business.

	2021 HK$'000
Property, plant and equipment	**1,160**

The abovementioned assets classified as held for sale is stated at the lower of carrying amount and fair value less costs to sell.

26. SHARE CAPITAL

	Number of shares '000	Amounts HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
As at 1 January 2020, as at 31 December 2020, as at 1 January 2021 and as at 31 December 2021	**4,950,000**	**495,000**
Preference shares of HK$0.1 each		
As at 1 January 2020, as at 31 December 2020, as at 1 January 2021 and as at 31 December 2021	**50,000**	**5,000**

	Number of shares '000	Amounts HK$'000
Issued and fully paid:		
Ordinary shares		
As at 1 January 2020, as at 31 December 2020, as at 1 January 2021 and as at 31 December 2021	**506,220**	**50,622**

There are no issued and fully paid preference shares as at 31 December 2021 and 2020.

27. TRADE PAYABLES

The following is an aging analysis of trade payables presented based on earliest of invoice date or date of delivery of goods:

	2021 HK$'000	2020 HK$'000
0-30 days	**722**	1,268
31-60 days	**53**	108
61-90 days	**279**	10
Over 90 days	**3,385**	135
	4,439	1,521

As at 31 December 2021, trade payables with amounts of approximately HK$2,973,000 and HK$1,466,000 (2020: HK$1,022,000 and HK$491,000) are denominated in RMB and CAD respectively.

The credit period normally granted from supplies up to 120 days.

28. ACCRUALS AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Accruals	**19,082**	20,420
Other payables	**17,045**	5,261
Interest payables	**32,973**	15,097
	69,100	40,778
Less: Interest payables classified as non-current portion	**(11,815)**	(15,097)
Amounts presented as current portion	**57,285**	25,681

Accruals mainly comprised of accrued staff costs of approximately HK$15,900,000 (2020: HK$13,575,000) and accrued auditor's remuneration of approximately HK$850,000 (2020: HK$1,580,000).

Included in other payables were amount due to a company of approximately HK$3,456,000 (2020: HK$2,260,000) which is controlled by Mr. Su. The amount due was unsecured, interest-free and repayable on demand.

As at 31 December 2021, accruals and other payables with amounts of approximately HK$44,683,000 and HK$2,702,000 (2020: HK$26,066,000 and HK$2,543,000) are denominated in RMB and CAD respectively.

29. OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured borrowings *(Note)*	**110,917**	134,752
Unsecured borrowings	**21,726**	21,726
	132,643	156,478

The unsecured borrowings were unsecured, interest bearing at fixed interest rate ranging from 5% to 18% per annum and repayable within 2022.

Note:

Secured borrowings are analysed as below:

	2021 HK$'000	2020 HK$'000	Maturity date	Fixed interest rate
Facility I	**28,707**	43,875	2021: March 2023 to February 2024 (2020: March 2023 to February 2024)	2021: 15% (2020: 15%)
Facility II	**82,210**	90,877	2021: March 2022 to September 2023 (2020: March 2022 to December 2022)	2021: 15% to 18% (2020:15%)
	110,917	134,752		

The outstanding principal of Facility I and Facility II as at 31 December 2021 are approximately HK$39,306,000 (2020: HK$43,875,000) and HK$82,211,000 (2020: HK$90,877,000) respectively.

The entire secured borrowings represent loans from HJIL, non-controlling interests of the Group. The balances are secured by equity shares of Anzer which is indirectly held by the Company.

29. OTHER BORROWINGS *(continued)*

As at the end of the reporting period, the borrowings are repayable as follows:

	2021	2020
	HK$'000	*HK$'000*
Within one year	**72,589**	–
Between 1 and 2 years	**54,588**	112,603
Between 2 and 5 years	**5,466**	43,875
	132,643	156,478
Less: amounts due within one year shown under current liabilities	**(72,589)**	–
Amounts shown under non-current liabilities	**60,054**	156,478

The amounts due are based on scheduled repayment dates set out in the loan agreement. Interest is payable upon repayment of principal.

As at 31 December 2021, other borrowings with amounts of approximately HK$110,917,000 (2020: HK$134,752,000) are denominated in RMB.

On 4 January 2021, the Group entered into a supplementary agreement with the lender to further extend the maturity from 2 years to 4 years from the respective original lending date of Facility I. As a result of the modification of the Facility I, the Group recognised a gain on modification of HK$17,010,000 in respect of other borrowings and interest payables in relation to Facility I.

On 1 July 2021, the Group entered into a supplementary agreement with the lender to increase the interest rate from 15% to 18% of Facility II for the loan drawdown on or after 1 July 2021. The interest rate of the loan drawdown before 1 July 2021 remained unchanged at 15%.

30. CONTRACT LIABILITIES

	2021	2020
	HK$'000	*HK$'000*
Contract liabilities from provision of engineering products *(Note a)*	**3,770**	6,778
Contract liabilities from provision of therapy services	**–**	25,751
	3,770	32,529

The movement of contract liabilities from provision of therapy services are as follows:

	HK$'000
As at 1 January 2020	28,395
Sales contract entered into during the year *(Note b)*	28,316
Revenue recognised upon the provision of services *(Note c)*	(24,775)
Revenue recognised upon expiry of prepaid treatment packages *(Note d)*	(6,185)
As at 31 December 2020 and as at 1 January 2021	25,751
Sales contract entered into during the year *(Note b)*	17,346
Revenue recognised upon the provision of services *(Note c)*	(13,008)
Revenue recognised upon expiry of prepaid treatment packages *(Note d)*	(217)
Novation of contract liabilities *(Note e)*	(29,872)
As at 31 December 2021	–

As at 1 January 2020, contract liabilities from provision of engineering products amounted to approximately HK$10,179,000.

The Group classifies these contract liabilities as current because the Group expects these balances to be settled in its normal operating cycle which is within 12 months after the end of the reporting period.

Notes:

(a) The amounts represent the advance deposits from customers for sales of engineering products pursuant to the respective sales contracts.

(b) The amounts represent receipts from provision of therapy services to clients during the year which were to be settled via credit cards, Electronic Payment System, cash and instalment payment arrangements.

(c) The amounts represent revenue recognised in the consolidated statement of profit or loss and other comprehensive income as a result of therapy services rendered to clients during the years ended 31 December 2021 and 2020.

(d) The amounts represent revenue recognised in the consolidated statement of profit or loss and other comprehensive income for unutilised prepaid service packages.

(e) On 30 June 2021, CHEL completed the Novation with the customers in connection with the Beauty Business to an independent third party.

31. DEFERRED TAXATION

	Recognition of other intangible assets
	HK$'000
As at 1 January 2020	3,482
Credit to profit or loss *(Note 14)*	(3,386)
Exchange realignment	(96)
As at 31 December 2020, as at 1 January 2021 and as at 31 December 2021	–

As at 31 December 2021, the Group has unused estimated tax losses of HK$413,931,000 (2020: HK$361,390,000) that are available indefinitely for offsetting against future taxable profits of the group entities in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Except for tax losses with the amounts of HK$17,666,000, HK$247,541,000 and HK$144,452,000 (2020: HK$189,626,000, nil and HK$123,757,000) which will be expired within five years, ten years and twenty years respectively, the remaining amount of unrecognised tax losses could be carried forward indefinitely.

32. EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 7 November 2014 for the primary purpose of providing incentives to directors and eligible employees, and will expire on the 10th anniversary thereof (i.e. 6 November 2024). Under the Scheme, the directors may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company or any person who, in the sole discretion of the board, has contributed or may contribute to the Group eligible for options under the Scheme.

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 743,475 (2020: 743,475), representing 0.15% (2020: 0.15%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

32. EQUITY-SETTLED SHARE-BASED PAYMENTS *(continued)*

Options granted must be taken up within 1 month of the date of grant, upon payment of non-refundable nominal consideration of HK$1 per option. The exercise period of the share options granted is determinable by the directors in accordance with the terms of the Scheme, and commences from the date of acceptance of the offer of the share options and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price is determined by the directors, and will not be less than the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant, (ii) the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

Share options are conditional on completing ranging from one to four years of services (the "Vesting Period"). The options are exercisable within five years from the date of grant and will be expired on 2 January 2022 (both days inclusive).

The share options granted to the employees of the Group shall be vested in four equal tranches. The vesting periods of the share options are between the date of grant and the dates of commencement of exercise periods. The vesting periods and exercise periods of the share options are as follows:

Number of options outstanding as at 31 December		**Vesting period**	**Exercise period**
2021	2020		
185,869	185,869	3 January 2017 to 2 January 2018	3 January 2018 to 2 January 2022
185,869	185,869	3 January 2017 to 2 January 2019	3 January 2019 to 2 January 2022
185,869	185,869	3 January 2017 to 2 January 2020	3 January 2020 to 2 January 2022
185,869	185,869	3 January 2017 to 2 January 2021	3 January 2021 to 2 January 2022
743,476	743,476		

The Company has used the Binomial Option Pricing Model for assessing the fair value of the share options granted. According to the Binomial Option Pricing Model, the fair value of the options granted measured as at the date of grant of 3 January 2017 was approximately in a range of HK$3.3730 to HK$3.8671 for each of the four tranches at its closing price at HK$8.90 per share, taking into account various factors, variables and assumptions which include the following:

(i) the risk-free interest rate used was 1.592%;

(ii) the expected volatility was about 49%; and

(iii) the expected annual dividend yield of 0%.

32. EQUITY-SETTLED SHARE-BASED PAYMENTS *(continued)*

Movements of the share options under the share option scheme during the year ended 31 December 2021 are as follows:

Category of Participants	Date of grant	Exercisable period	Exercise price per share *HK$*	Outstanding as at 01.01.2020	Expired during 2020	Lapsed during 2020	Granted during 2020	Exercised during 2020	Cancelled during 2020	Outstanding as at 31.12. 2020 and as at 01.01.2021	Expired during 2021	Adjustment during 2021	Granted during 2021	Exercised during 2021	Cancelled during 2021	Outstanding as at 31.12. 2021
Employees of the Group	3 January 2017	3 January 2018 to 2 January 2022	8.90	2,614,325	–	–	–	–	(1,870,850)	743,475	–	–	–	–	–	743,475
		Weighted average exercise price		8.90	–	–	–	–	8.90	–	–	–	–	–	–	8.90

The Group recognised the total expense of approximately HK$15,000 (2020: HK$250,000) for the year ended 31 December 2021 in relation to share options granted by the Company.

33. RETIREMENT BENEFIT SCHEME

The Group contributes to a defined contribution the MPF Scheme under the Mandatory Provident Fund Scheme Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed in the MPF Scheme. Under the MPF Scheme, the employer and its employees are each required to make contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

The employees of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's employer contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions).

The Group participates in a retirement scheme for qualified employees of its subsidiary in Canada. Under the retirement scheme, each of the employer and its employees make monthly contributions to the scheme at 5% of the relevant income (comprising wages and salaries) at maximum. The monthly contributions of each of the employer and the employee are subject to a cap of CAD2,749 (equivalent to HK$16,961). The Group has no further obligations for post-retirement benefits beyond the contributions.

The total expenses recognised in profit or loss for contributions payable to these plans by the Group at rates specified in the rules of the plans are set out in notes 12 and 13 to the consolidated financial statements respectively.

During the year ended 31 December 2021, there is no forfeited contributions included in retirement benefits schemes contributions (2020: nil).

34. COMMITMENTS

As at 31 December 2021, the Group has no significant capital commitment (2020: Nil).

35. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December 2021 *HK$'000*	As at 31 December 2020 *HK$'000* *(Restated)*	As at 1 January 2020 *HK$'000* *(Restated)*
Non-current asset			
Interests in subsidiaries	**–**	34,380	48,571
Current assets			
Deposits, prepayment and other receivables	**–**	–	400
Cash and cash equivalents	**18**	28	1,291
	18	28	1,691
Total assets	**18**	34,408	50,262
Capital and reserves			
Share capital	**50,622**	50,622	50,622
Reserves	**(79,598)**	(57,125)	(23,994)
Total capital deficiencies	**(28,976)**	(6,503)	26,628
Non-current liabilities			
Amounts due to directors	**–**	17,067	10,617
Other borrowings	**–**	9,726	7,626
Interest payables	**–**	671	–
	–	27,464	18,243
Current liabilities			
Accruals	**4,223**	3,446	3,004
Amount due to a subsidiary	**15,045**	10,001	387
Other borrowings	**9,726**	–	2,000
	28,994	13,447	5,391
Total liabilities	**28,994**	40,911	23,634
Total equity and liabilities	**18**	34,408	50,262
Net current liabilities	**(28,976)**	(13,419)	(3,700)
Total assets less current liabilities	**(28,976)**	20,961	44,871

Signed on behalf of the board by:

Su Zhituan
Director

Fan Yu
Director

35. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(b) Movement of reserves of the Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000* *(Restated)*	Accumulated losses *HK$'000* *(Restated)*	Total *HK$'000* *(Restated)*
As at 1 January 2020 (originally stated)	488,163	27,141	–	(539,298)	(23,994)
Prior year adjustments	–	–	25,422	(25,422)	–
As at 1 January 2020 (restated)	488,163	27,141	25,422	(564,720)	(23,994)
Loss and total comprehensive loss for the year	–	–	–	(33,381)	(33,381)
Equity-settled share-based compensation	–	–	250	–	250
Forfeiture of share options	–	–	(22,904)	22,904	–
As at 31 December 2020	488,163	27,141	2,768	(575,197)	(57,125)
As at 1 January 2021 (originally stated)	488,163	27,141	–	(572,429)	(57,125)
Prior year adjustments	–	–	2,768	(2,768)	–
As at 1 January 2021 (restated)	488,163	27,141	2,768	(575,197)	(57,125)
Loss and total comprehensive loss for the year	–	–	–	(34,338)	(34,338)
Contribution from a shareholder	–	11,850	–	–	11,850
Equity-settled share-based compensation	–	–	15	–	15
As at 31 December 2021	**488,163**	**38,991**	**2,783**	**(609,535)**	**(79,598)**

(c) Prior years adjustments of the Company

In preparing the consolidated financial statements of the Group for the year ended 31 December 2021, the directors had noted errors in share option reserve and accumulated losses in the Company's statement of the financial position and statement of changes in equity as at 31 December 2020 and as at 1 January 2020 causing understatements of share option reserve and accumulated losses as at 31 December 2020 and loss and total comprehensive loss for the year ended 31 December 2020 in reserve of the Company. As a result, the statement of financial position and the statement of changes in equity as at 31 December 2020 and as at 1 January 2020 have been restated to correct those errors identified. It was identified that share option reserve was mistaken to include in accumulated losses as at 31 December 2020 and as at 1 January 2020. Such errors as at 31 December 2020 and as at 1 January 2020 resulted in (i) understatement of share option reserve as at 31 December 2020 and as at 1 January 2020; (ii) understatement of accumulated losses as at 31 December 2020 and as at 1 January 2020; and (iii) understatement of movement of share option reserve and accumulated losses during the year ended 31 December 2020.

35. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(c) Prior years adjustments of the Company *(continued)*

The effects of the restatement to the amounts presented in the statement of financial position and statement of changes in equity as at 31 December 2020 and as at 1 January 2020 are summarised as below:

As at 1 January 2020, the corresponding adjustments have resulted in increase in "Share option reserve" and increase in "Accumulated losses" by HK$25,422,000 upon inclusion of share options reserve in accumulated losses.

As at 31 December 2020, the corresponding adjustments have resulted in increase in "Share option reserve" and increase in "Accumulated losses" by HK$2,768,000 upon inclusion of share options reserve in accumulated losses. The corresponding adjustments have also resulted in recognition of equity-settled share-based compensation and forfeiture of share options with the amounts of approximately HK$250,000 and HK$22,904,000 which was included in loss and total comprehensive loss for the year ended 31 December 2020 respectively.

36. MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of material related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions in addition to the related party information shown elsewhere in these consolidated financial statements.

Key management compensation

Key management personnel are the Company's executive directors. Details of compensation of key management personnel are disclosed in note 13 to the consolidated financial statements.

36. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

	2021 HK$'000	2020 HK$'000
Amounts due to directors		
Non-current		
Mr. Su *(Note i)*	**–**	7,900
Mr. Sun *(Note i)*	**–**	9,167
Current		
Mr. Fan Yu *(Note ii)*	**80**	–
Mr. Tam B Ray, Billy *(Note ii)*	**25**	–
Ms. Han Xiao *(Note ii)*	**12**	–
Total amounts due to directors	**117**	17,067
Amounts due to former directors		
Current		
Dr. Andrew Goldenberg *(Note ii)*	**722**	722
Mr. Cheng Yu *(Note ii)*	**95**	95
Mr. Chu Kin Wang, Peleus *(Note ii)*	**13**	–
Total amounts due to former directors	**830**	817

Notes:

(i) The payable balances with these directors are unsecured, interest-free are repayable on demand. The amounts due to these directors were waived during the year ended 31 December 2021.

(ii) The payable balances with the directors are unsecured, interest-free and repayable on demand. The balances are included in accruals and other payables (note 28).

Balances with other related parties

Balances with other related parties are set out in notes 22, 28 and 29 to the consolidated financial statements respectively.

Transactions with related parties

	2021 HK$'000	2020 HK$'000
Sales of goods to related companies	**2,213**	1,681

In the opinion of the directors, the above transactions were carried out in the normal course of the Group's business and conducted at mutually agreed terms. In the opinion of the directors, the transactions were fully exempted from shareholders' approval, annual review and all the disclosure requirements of continuing connected transaction as set out in Chapter 20 of the GEM Listing Rules.

37. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company are listed as follows:

Name of subsidiary	Place/country of incorporation	Class of shares held	Proportion of ownership interest and voting power held by the Company 2021 %	2020 %	Issued and fully paid share capital/ registered capital	Principal activities
Ace Force Holding Limited	British Virgin Island ("BVI")	Ordinary	**100**	100	USD1	Investment holding
Anzer#	PRC	Incorporated	**50.5**	50.5	RMB50,000,000	Provision of engineering products and related services
Century Capital Holdings Limited	BVI	Ordinary	**100**	100	USD1	Investment holding
Century Finance (BVI) Limited	BVI	Ordinary	**100**	100	USD1	Investment holding
Century Finance Limited	Hong Kong	Ordinary	**100**	100	HK$1	Investment holding
CHEL	Hong Kong	Ordinary	**51**	51	HK$100	Sale of beauty products and provision of therapy services
China SuperRobotics Limited	Hong Kong	Ordinary	**100**	100	HK$1	Investment holding
EDS Distribution Limited	Hong Kong	Ordinary	**100**	100	HK$1	Sale of beauty products
EDS International Holdings Limited	BVI	Ordinary	**100**	100	US$1	Investment holding
ESI	Canada	Ordinary	**100**	100	CAD12	Provision of engineering products and related services
ESI Robotics Corporation	Canada	Ordinary	**100**	100	CAD1	Provision of engineering products and related services
ESI Robotics Limited	Hong Kong	Ordinary	**100**	100	HK$1	Dormant
New Best Finance Limited	BVI	Ordinary	**100**	100	USD1	Investment holding
Star Run Investments Limited	BVI	Ordinary	**100**	100	USD1	Investment holding
Tritop Management Limited	BVI	Ordinary	**100**	100	USD1	Investment holding
安兆科技(深圳)有限公司@#	PRC	Incorporated	**100**	100	HK$25,000,000	Investment holding

37. PARTICULARS OF SUBSIDIARIES *(continued)*

Name of subsidiary	Place/country of incorporation	Class of shares held	Proportion of ownership interest and voting power held by the Company 2021 %	2020 %	Issued and fully paid share capital/ registered capital	Principal activities
深圳市帝光實業有限公司 (Shenzhen Diguang Industrial Co., Ltd*)# ("Diguang")	PRC	Incorporated	**50.5**	50.5	RMB980,000	Investment holding
深圳市安卓智能工程有限公司 ("安卓")#	PRC	Incorporated	**50.5**	50.5	RMB30,000	Provision of engineering products and related services
深圳多尼卡互聯技術有限公司#@	PRC	Incorporated	**–**	100	RMB50,000,000	Deregistered (2020: Provision of in-flight WLAN and WIFI engineering and services)

@ Wholly-owned foreign enterprise in the PRC
# Limited liability companies in the PRC

None of the subsidiaries had debt securities outstanding at the end of the year or at any time during the year.

All of the above subsidiaries operate principally in their respective place of incorporation/establishment.

* for identification purpose only

Change in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries

Diguang is the holding company of Anzer. During the year ended 31 December 2020, the Group disposed of 48.98% of the equity interest in Diguang, a then 99% owned subsidiary, to HJIL for a debt capitalisation of HK$5,366,000. The Group's equity interests in Diguang were reduced from 99% to 50.51%. The difference between the debt capitalised and the carrying amounts of net liabilities disposed of in an equity transaction with non-controlling interests resulted from the change in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary amounting to approximately HK$71,105,000 was recognised in equity and a decrease of approximately HK$62,121,000 was recognised in the non-controlling interests.

Material non-controlling interests

The total non-controlling interests represent the following:

	2021	2020
	HK$'000	*HK$'000*
CHEL	**1,044**	(43)
Diguang and its subsidiaries ("Diguang Group") *(Note)*	**(111,817)**	(93,896)
	(110,773)	(93,939)

Note: Diguang Group comprised of Diguang, Anzer and 安卓.

37. PARTICULARS OF SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before intragroup eliminations.

	CHEL		Diguang Group	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current assets	**21,421**	35,789	**19,848**	69,099
Non-current assets	**–**	3,974	**5,092**	10,853
Current liabilities	**(19,291)**	(39,851)	**(177,908)**	(121,898)
Non-current liabilities	**–**	–	**(71,869)**	(146,697)
Equity attributable to owners of the Company	**1,086**	(45)	**(113,020)**	(94,747)
Non-controlling interests	**1,044**	(43)	**(111,817)**	(93,896)

	CHEL		Diguang Group	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**14,006**	32,259	**18,455**	23,506
Profit/(loss) for the year	**2,218**	4,045	**(29,618)**	(71,237)
Profit/(loss) for the year attributable to:				
– owners of the Company	**1,131**	2,063	**(14,959)**	(46,972)
– non-controlling interests	**1,087**	1,982	**(14,659)**	(24,265)
	2,218	4,045	**(29,618)**	(71,237)
Total comprehensive income/(loss) for the year attributable to:				
– owners of the Company	**1,131**	2,063	**(18,288)**	(50,970)
– non-controlling interests	**1,087**	1,982	**(17,921)**	(30,607)
	2,218	4,045	**(36,209)**	(81,577)
Dividend paid to non-controlling interests	**–**	9,800	**–**	–
Net cash (outflow)/inflow from operating activities	**(8,850)**	8,631	**(16,229)**	(46,585)
Net cash inflow/(outflow) from investing activities	**19,019**	(839)	**(64)**	(39)
Net cash (outflow)/inflow from financing activities	**(927)**	(24,709)	**(30,853)**	83,584
Net cash inflow/(outflow)	**9,242**	(16,917)	**(47,146)**	36,960

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Other borrowings	Lease liabilities	Interest payables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2020	55,930	23,266	2,869	82,065
Financing cash flows	98,747	(10,858)	–	87,889
Acquisition of leases	–	212	–	212
Other non-cash items	(5,366)	(2,357)	–	(7,723)
Finance costs recognised	–	696	12,181	12,877
Exchange realignment	7,167	448	47	7,662
As at 31 December 2020 and as at 1 January 2021	156,478	11,407	15,097	182,982
Financing cash flows	(17,633)	(9,451)	–	(27,084)
Gain on modification of other borrowings	(14,525)	–	(2,485)	(17,010)
Other non-cash items	–	(908)	–	(908)
Finance costs recognised	4,080	206	19,794	24,080
Exchange realignment	4,243	(40)	567	4,770
As at 31 December 2021	**132,643**	**1,214**	**32,973**	**166,830**

39. EVENTS AFTER THE REPORTING PERIOD

On 19 April 2022, the Group entered into a settlement agreement (the "Settlement Agreement") with the Former Auditors in which the Former Auditors agreed to compensate the Group with the amounts of approximately HK$19,800,000 (inclusive of all interest and costs) (the "Compensation"). The Compensation will be received by instalment which HK$12,000,000 will be received within 20 business days from the Settlement Agreement and the remaining balance will be by relevant instalments. The Company will be received approximately of HK$4,978,000 (net of all interest and costs).

Subsequent to the end of the reporting period, the Group further advance of HK$1,886,000 and HK$4,947,000 from Facility I and Facility II respectively. The loan will be repayable after 4 year for Facility I and 2 years for Facility II from respective drawdown date and interest bearing at 15% for Facility I and 18% for Facility II per annum respectively.

On 3 May 2022, the Group advance HK$1,400,000 from a company controlled by Mr. Su. The loan will be repayable after 2 years from drawdown date and interest-free.

40. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the disclosure requirements in respect of the discontinued operations set out in note 17 to the consolidated financial statements. Accordingly, the comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 May 2022.

FINANCIAL SUMMARY

Results

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			
Revenue	**18,455**	22,754	88,155	63,739	78,799
(Loss)/profit for the year attributable to:					
– owners of the Company	**(36,944)**	(109,602)	(168,425)	(132,345)	(99,059)
– non-controlling interests	**(13,572)**	(22,283)	4,112	4,639	1,948
	(50,516)	(131,885)	(164,313)	(127,706)	(97,111)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**46,045**	141,237	206,256	258,787	383,289
Total liabilities	**(211,166)**	(259,780)	(179,238)	(72,327)	(65,472)
Non-controlling interests	**110,773**	93,939	(6,607)	(5,425)	(2,250)
(Deficits)/equity attributable to owners of the Company	**(54,348)**	(24,604)	20,411	181,035	315,567