Zioncom Holdings Limited

百家淘客股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8287

ANNUAL REPORT 2021

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

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Kim Jun Yeob（金俊燁先生）*(Chairman)*
(appointed as Chairman on 14 January 2022)
Mr. Koo Ja Chun（具滋千先生）
Mr. Xiao Jingen（肖金根先生）
Mr. Cheng Kwan Yu（鄭君瑜先生）
(appointed on 14 January 2022)
Mr. Kim Byung Kwon（金炳權先生）
(resigned on 14 January 2022)
Mr. Zhao Xiuming（趙修明先生）
(removed on 31 March 2022)

Independent Non-Executive Directors:

Mr. Tsang Chung Yu（曾頌愉先生）
(appointed on 24 September 2021)
Ms. Sin Pui Ying（冼佩瑩女士）
(appointed on 14 January 2022)
Mr. Shin Dongmin（申東旼先生）
(resigned on 9 July 2021)
Mr. Lee Tsung Wah, Jonathan（李頌華先生）
(resigned on 24 September 2021)
Mr. Kwong Chun Man（鄺振文先生）
(resigned on 14 January 2022)
Ms. Cai Peiyao（蔡佩瑤女士）
(appointed on 24 September 2021 and removed on 31 March 2022)

COMPANY SECRETARY

Ms. Wong Ngar Lai（黃雅麗女士）
(appointed on 1 July 2021)
Mr. Kwok Kai Hung（郭啟雄先生）
(resigned on 1 July 2021)

AUTHORISED REPRESENTATIVES

Mr. Kim Jun Yeob（金俊燁先生）
Mr. Koo Ja Chun（具滋千先生）

COMPLIANCE OFFICER

Mr. Kim Jun Yeob（金俊燁先生）

AUDIT COMMITTEE

Ms. Sin Pui Ying（冼佩瑩女士）*(Chairlady)*
(appointed on 14 January 2022)
Mr. Tsang Chung Yu（曾頌愉先生）
(appointed on 24 September 2021)
Mr. Shin Dongmin（申東旼先生）
(resigned on 9 July 2021)
Mr. Lee Tsung Wah, Jonathan（李頌華先生）
(resigned on 24 September 2021)
Mr. Kwong Chun Man（鄺振文先生）
(resigned on 14 January 2022)
Ms. Cai Peiyao（蔡佩瑤女士）
(appointed on 24 September 2021 and removed on 31 March 2022)

REMUNERATION COMMITTEE

Mr. Tsang Chung Yu（曾頌愉先生）*(Chairman)*
(appointed on 24 September 2021)
Mr. Kim Jun Yeob（金俊燁先生）
Ms. Sin Pui Ying（冼佩瑩女士）
(appointed on 14 January 2022)
Mr. Shin Dongmin（申東旼先生）
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(resigned on 14 January 2022)
Ms. Cai Peiyao（蔡佩瑤女士）
(appointed on 24 September 2021 and removed on 31 March 2022)

NOMINATION COMMITTEE

Mr. Tsang Chung Yu（曾頌愉先生）*(Chairman)*
(appointed on 24 September 2021)
Mr. Koo Ja Chun（具滋千先生）
Ms. Sin Pui Ying（冼佩瑩女士）
(appointed on 14 January 2022)
Mr. Shin Dongmin（申東旼先生）
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(appointed on 24 September 2021 and removed on 31 March 2022)

Corporate Information

COMPLIANCE COMMITTEE

Ms. Sin Pui Ying（冼佩瑩女士）*(Chairlady)*
(appointed on 14 January 2022 and as Chairlady on 31 March 2022)
Mr. Kim Jun Yeob（金俊燁先生）
Mr. Tsang Chung Yu（曾頌愉先生）
(appointed on 24 September 2021)
Mr. Shin Dongmin（申東旼先生）
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(resigned on 14 January 2022)
Ms. Cai Peiyao（蔡佩瑤女士）
(appointed on 24 September 2021 and removed on 31 March 2022)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office A, 9/F, Kings Wing Plaza 2
No. 1 On Kwan Street, Shatin
New Territories, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

STOCK CODE

8287

COMPANY WEBSITE

www.zioncom.net

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Company, and together with its subsidiaries (the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2021.

Since our establishment in 1999, the Group has been focusing on research and development, manufacturing and sales, and has been committed to providing clients from 40 countries and regions around the globe with quality networking products.

We will continue to strengthen our research and development capability in order to consolidate the Group's market leading position. The Group resolves to work hand-in-hand with its business partners and create value for its shareholders.

We expect the global markets to be full of challenges in the near future in the midst of the trade war between the United States and the PRC with a possible trade truce, and the COVID-19 pandemic, affecting both capital markets and economic growth worldwide. We will continue to adopt and maintain cautious but proactive measures to manage the Group's investment portfolio.

Although we recorded a significant net loss of approximately HK$42.6 million for the year ended 31 December 2021, our management team believes that the loss is temporary and we are confident that our Group will perform well in the coming years and create value and returns for its shareholders.

On behalf of the Board and the management, I wish to extend my sincere appreciation to all of our staff for their tireless efforts, diligence and contribution during the year ended 31 December 2021, and express my utmost gratitude to all shareholders, investors, customers, suppliers and business partners for their continued and valuable support and trust to the Group.

Kim Jun Yeob
Chairman

Hong Kong, 28 April 2022

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in manufacturing and sales of networking products, specialising in the design and development of wireless networking products which are primarily targeted for home use and small scale commercial applications. The Group also manufactures and sells wired and wireless networking products such as Ethernet switches, LAN cards, Wi-Fi modules and Access Points as well as non-networking products, such as power banks and USB hubs. Its operations are mainly based in the PRC. Its main products are routers, which provide for wired and wireless transmission of data to devices while maintaining wired connection with modems.

The Group recorded an audited loss for the year of approximately HK$42.6 million and loss attributable to equity holders of the Company of approximately HK$47.3 million for the year ended 31 December 2021.

The Group sold its branded products mainly on a wholesale basis through its distributors covering many countries and regions including Korea, the PRC, Vietnam, Hong Kong, Taiwan and Malaysia, etc. In addition, the subsidiaries of the Group in Taiwan and Vietnam have strong sales team working closely with its distributors. The revenues contributed from the Group's Taiwan and Vietnam operations were approximately HK$48.8 million and HK$81.1 million respectively for the year ended 31 December 2021, which in aggregate contributed approximately 20.91% of the Group's revenue. The Group is looking forward to the growth in the Asia-pacific market including Vietnam and Taiwan in the coming years.

Including the revenue from the Group's largest customer, which represented approximately 54.3% of the Group's total revenue for the year ended 31 December 2021, approximately 62.1% of the revenue was generated from the Group's largest market, Korea, for the year ended 31 December 2021. The revenue generated from Korea decreased by approximately 6.6%. Any change in economic conditions of the Group's export countries, such as interest rates, currency exchange rates, inflation, deflation, political uncertainty, taxation, stock market performance and general consumer confidence, may affect the volume of purchase from the Group's customers as well as the Group's business operations and financial performance.

OUTLOOK

The Group's business objective is to strengthen the Group's position as a networking products manufacturer specialising in the design and development of wireless networking products by enhancing recognition of the Group's own brand and increasing the Group's profitability. In support of the Group's business objective, the Group will continue to implement the business strategies of promoting the Group's growth in the emerging markets in Asia and other markets with good potential, increasing the Group's production capacity and broadening its product offerings, and enhancing its overall competitiveness and market share.

Management Discussion and Analysis

The current business environment remains overshadowed by the United States and PRC trade tensions with a possible trade truce and the recent COVID-19 pandemic in the world. The global COVID-19 pandemic constitutes an extraordinary event, a public health risk to all countries through international spread, and continue to require a coordinated international response. The speed of recovery and the extent of any long term impact remain uncertain but will depend on the duration and severity of the outbreak and associated containment measures. The Group is cautiously optimistic that the economic impact due to the COVID-19 pandemic will be mitigated as a result of anti-epidemic measures implemented by the various governments and the on-going vaccination schemes. Despite this, the Group will continue to pursue and maintain a conservative but proactive investment approach, focusing on product innovation, market share gain, geographical expansion and operational excellence, so as to bring better returns for the shareholders and ensure the Company stays competitive in the market.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded revenue of approximately HK$621.1 million (2020: HK$607.7 million), and achieved an increase of HK$13.4 million or 2.2%. Such increase was contributed by increased sales from networking products. Set out below is the revenue breakdown of the Group for the years ended 31 December 2021 and 2020:

	For the year ended 31 December			
	2021		2020	
	HK$'000	**%**	HK$'000	%
Type of goods or service				
Goods transferred at a point in time				
Sales of router products	**491,454**	**79.1**	475,550	78.2
Sales of switch products	**40,855**	**6.6**	61,687	10.2
Sales of other networking products	**62,307**	**10.0**	46,219	7.6
Sales of non-networking products	**26,054**	**4.2**	24,252	4.0
Processing services income	**424**	**0.1**	–	0.0
Total revenue from contracts with customers	**621,094**	**100.0**	607,708	100.0

The revenue from router products increased by approximately 3.3% for the year ended 31 December 2021 as compared with that of the previous year. The increase was mainly due to the increase in sales orders from the Group's customers on 5G/4G Wi-Fi routers during the year ended 31 December 2021. The revenue from sales in switch decreased by approximately 33.8% and other networking products increased by approximately 34.8%. The Group will continue to put more resources to expand the emerging markets in Asia and other areas with good potential in order to enhance the Group's revenue base.

Management Discussion and Analysis

Cost of sales and gross profit

The Group's gross profit decreased by approximately 32.0% from approximately HK$92.5 million for the year ended 31 December 2020 to approximately HK$62.9 million for the year ended 31 December 2021. The Group's cost of sales comprises costs of materials, direct labour, manufacturing overhead, subcontracting services fee, other overheads and write-off of inventories. The cost of sales increased by approximately 8.3% from approximately HK$515.2 million for the year ended 31 December 2020 to approximately HK$558.2 million for the year ended 31 December 2021.

The gross profit margin was approximately 10.1% for the year ended 31 December 2021 (2020: approximately 15.2%). The significant decrease of gross profit margin mainly due to the decrease of gross profit margin for the revenue from our largest customer and the increase of raw materiel cost during the year.

Other income

The other income of the Group decreased by HK$9.9 million or approximately 71.2% to approximately HK$4.0 million for the year ended 31 December 2021 from approximately HK$13.9 million for the year ended 31 December 2020. It was mainly attributable to a decrease of HK$9.8 million in exchange gain, net in 2021.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 14.0% to approximately HK$19.7 million for the year ended 31 December 2021 from approximately HK$22.9 million for the year ended 31 December 2020, which was mainly due to the decrease of marketing expenses.

Administrative expenses

The administrative expenses of the Group for the year ended 31 December 2021 amounted to approximately HK$53.0 million, representing an increased of approximately HK$7.3 million as compared with approximately HK$45.7 million for the year ended 31 December 2020. The increased was mainly attributable to an increased of HK$7.8 million on exchange loss, net.

Research and development expenses

Research and development expenses decreased by HK$5.0 million or approximately 17.9% to approximately HK$22.9 million for the year ended 31 December 2021 from approximately HK$27.9 million for the year ended 31 December 2020.

Finance costs

Finance costs decreased by approximately 14.3% to approximately HK$3.0 million for the year ended 31 December 2021 from approximately HK$3.5 million for the year ended 31 December 2020. Such drop was mainly due to decrease of interest expenses on lease liabilities.

Loss for the year

As a result of the foregoing, the loss for the year ended 31 December 2021 amounted to approximately HK$42.6 million, compared with the loss of approximately HK$8.2 million for the year ended 31 December 2020. The increase of loss for the year was mainly due to the significant drop of gross profit.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, total borrowings of the Group amounted to approximately HK$108.6 million (2020: approximately HK$83.5 million) which included the interest bearing bank loans at floating rates, interest bearing bank loans on fixed terms and finance leases of motor vehicle and machines. As at 31 December 2021, the cash and bank balances and pledged bank deposit of the Group amounted to approximately HK$47.7 million (2020: approximately HK$34.9 million).

As at 31 December 2021, debt to equity ratio of the Group was 46.1% (2020: 38.9%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and lease liabilities net of pledged bank deposits and cash and bank balances, by total equity at the end of the financial year. Current ratio as at 31 December 2021 was approximately 1.0 (2020: approximately 1.0).

As at 31 December 2021, gearing ratio of the Group was 80.2% (2020: 60.0%). Gearing ratio is calculated based on total debt for the financial year divided by total equity as of the end of the financial year.

As at 31 December 2021, cash and bank balances of the Group amounted to approximately HK$22.4 million (2020: approximately HK$9.5 million).

As at 31 December 2021, the Group's net current liabilities amounted to approximately HK$10.1 million (2020: net current assets approximately HK$5.3 million).

Management Discussion and Analysis

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

At the end of each reporting period, the Group had the following capital commitments:

	2021 HK$'000	2020 HK$'000
Authorised and contracted for:		
Capital contributions payable to an equity investment	594	594
Capital expenditure of construction in progress	2,416	–
	3,010	594

PLEDGE OF ASSETS

As at 31 December 2021, pledged bank deposits of approximately HK$25.3 million (2020: approximately HK$25.5 million), property, plant and equipment with a carrying value of approximately HK$95.1 million (2020: approximately HK$97.4 million), right-of-use assets with a carrying value of approximately HK$8.5 million (2020: approximately HK$8.8 million), financial assets at fair value through profit or loss with a carrying value of approximately HK$11.0 million (2020: approximately HK$10.8 million) and inventories of approximately HK$27.2 million (2020: approximately HK$29.3 million) of the Group were pledged to secure the Group's bank borrowings.

EXCHANGE RATE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Vietnam, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollars, Renminbi and Vietnamese Dong. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities denominated in a currency that is not the functional currency of the Group, and net investments in foreign operations.

As at 31 December 2021, the Group did not have a foreign currency hedging policy. However, the management will continue to closely monitor the Group's foreign exchange exposure and will consider hedging significant foreign currency risk should the need arise.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2021, there were financial assets at fair value through profit or loss held by the Group.

Financial assets at fair value through profit or loss

As at 31 December 2021, the Group recorded financial assets of approximately HK$11.7 million (2020: approximately HK$11.4 million). The table below sets forth a breakdown of the Group's financial assets at fair value through profit or loss as at the dates indicated:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Key management personnel life insurance policies	**11,002**	10,794
Club membership	**686**	618
Total	**11,688**	11,412

The club membership represented the indefinite useful life golf club membership. The club membership, classified as financial assets at fair value through profit or loss, is stated at fair value.

The Group purchased certain life insurance policies (the "Policies") for certain Directors in year 2010 and 2012. Under the Policies, the Company is the beneficiary and policy holder and the total insured sum is approximately US$3.8 million (equivalent to approximately HK$29.1 million).

The Group's financial assets at fair value through profit or loss increased by approximately HK$0.3 million to approximately HK$11.7 million as at 31 December 2021 from approximately HK$11.4 million as at 31 December 2020.

The Group has established a financial management policy, pursuant to which the Group would make investments when the management considers necessary to the Group's operational needs. The Group generally only purchases investment products incidental to requirements from banks when the Group obtains loans. For the previous years, the Group purchased investment products primarily with guaranteed investment return from the banks that the Group intended to borrow from in order to facilitate the process of granting loans to the Group.

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at the date of this report, the Group did not have any other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2021, the Group did not have any material acquisitions and disposals of its subsidiaries and affiliated companies.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group has no significant concentration of credit risk with exposure spread over a large number of counterparties and customers. The carrying amounts of bank balances, trade and bill receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2021, the Group has concentration of credit risk as nil and 23.1% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group reviews and monitors the level of exposure to credit risk from time to time ensure that follow-up actions are taken to recover overdue debts. In addition, at the end of each reporting year, the recoverability of each trade debt is evaluated so as to ensure that adequate impairment losses are made for irrecoverable amounts.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial liabilities, mainly the interest bearing bank borrowings. The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank borrowings where necessary.

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and its operations are mainly financed by operating cash inflows. The Group monitors and maintains a level of cash and bank balances deemed adequate to finance the Group's operations and mitigate the effect of fluctuations in cash flows. The Group also monitors current and expected liquidity requirements on a regular basis. Details on the Group's financial risk is set out in the note 6 to the consolidated financial statements.

Report of the Directors

The Board presents herewith this report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2016. Through a group reorganisation as disclosed in the section headed "History, Development and Reorganisation – Reorganisation" in the Company's prospectus dated 28 December 2017 (the "Prospectus"), the Company has since 3 March 2017 become the holding company of the Group. The shares of the Company (the "Shares") were listed (the "Listing") on GEM of the Stock Exchange on 18 January 2018 (the "Listing Date") through placing and public offer of a total of 198,000,000 Shares at the price of HK$0.43 per share (the "Share Offer").

SHARE STRUCTURE

The capital of the Company comprises only ordinary Shares. From the Listing Date and as at the date of this report, the total number of ordinary Shares was 660,000,000 Shares.

Incorporation of the Company

The Company was incorporated in the Cayman Islands as an exempted company on 29 January 2016 with limited liability as a holding company of the Group and the issuer in the Share Offer. The initial authorised share capital of the Company was US$50,000 divided into 50,000 ordinary Shares of par value of US$1.00 each. On the date of incorporation of the Company, one subscriber Share in the Company was transferred from the initial subscriber (an independent third party) to Lincats (BVI) Limited ("Lincats") at par value credited as fully paid and 99 Shares were allotted and issued to Lincats at par value credited as fully paid.

Redenomination of authorised share capital

On 3 March 2017, the Company redenominated its authorised share capital from US dollars to HK dollars and increased its authorised share capital from US$50,000 divided into 50,000 ordinary Shares of par value of US$1.00 each to HK$500,000,000 by (a) the creation of 50,000,000,000 Shares with a par value of HK$0.01 each; (b) the issuance and allotment of 858,000 Shares of par value of HK$0.01 each to Lincats and repurchasing the 1,100 Shares of par value of in US$1.00 each held by Lincats; and (c) cancelling all authorised share capital of 50,000 Shares at par value of US$1.00 each so that the authorised share capital of the Company will be HK$500,000,000 divided into 50,000,000,000 Shares with a par value of HK$0.01 each.

Capitalisation issue

Conditional upon the share premium account of the Company being credited as a result of the allotment and issue of the offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK$4,611,420 from the share premium account of the Company by applying such sum towards the paying up in full at par a total of 461,142,000 additional Shares for allotment and issue to the existing shareholders on the register of members of the Company immediately prior to the Listing as at 18 January 2018, credit as fully paid and on a pro rata and *pari passu* basis.

Save as disclosed above, there was no change in the capital structure of the Company during the year ended 31 December 2021.

Report of the Directors

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in manufacturing and sales of networking products and non-networking products.

The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

BUSINESS REVIEW AND FUTURE BUSINESS DEVELOPMENT

The business review and future business development of the Group for the year ended 31 December 2021 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report.

Risks and uncertainties

The principal risks and uncertainties facing our Group have been addressed in the section headed "Management Discussion and Analysis" on pages 6 to 12 of this report. In addition, various financial risks have been disclosed in note 5 to the consolidated financial statements.

An analysis using financial key performance indicators

An analysis of the Group's performance during the year ended 31 December 2021 using financial performance indicators is provided in the section headed "Five Years' Financial Summary" on page 164 of this report.

Environmental protection

The Group recognises its responsibility to protect the environment from its business activities. The Group has endeavored to comply with laws and regulations regarding environmental protection and encourages environmental protection and promotes awareness towards environmental protections among our staff and employees. More details are set out in the section headed "Environmental, Social and Governance Report" on pages 42 to 66 of this report.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review of newly enacted laws and regulations affecting the operations of the Group. Save as disclosed in this report, the Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group during the year ended 31 December 2021.

Report of the Directors

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains good relationship with its customers. The sales personnel and merchandisers make regular phone calls to the distributors and visit them periodically. If there is any complaint from the end user, it will be reported to the management and immediate remedial action will be taken.

The Group also maintains a good relationship with its suppliers. During the year ended 31 December 2021, no complaint was received from the suppliers, there were no disputed debts or unsettled debts and all the debts were settled on or before due dates or a later date as mutually agreed.

During the year ended 31 December 2021, there was no dispute on salary payments and all accrued remunerations were settled on or before their respective due dates, as stipulated under the individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review of the policies on salary increment, promotion, bonus, allowances and all other related benefits.

In view of the above and as at the date of this report, there was no circumstance or any event which would have a significant impact on the Group's business.

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 850 employees (including Directors) as at 31 December 2021 (2020: 881 employees) in Hong Kong, the PRC, Taiwan, Malaysia and Vietnam. The Group places emphasis on work experience in the networking industry in hiring its research and development staff, designers, merchandising staff and quality control staff. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to its staff, including internal promotion opportunities and performance based bonus. The Group enters into standard employment contracts with its staff which contain provisions on intellectual property rights and confidentiality.

The Group also reviews the performance of the Group's staff periodically and consider the result of such review for staff's annual bonus, salary review and promotion appraisal. The Company has also adopted a share option scheme, details of which are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

The Group provides different trainings to each department from time to time to enhance their industry, technical and product knowledge, as well as their familiarity with industry quality standards and work safety standards.

The remuneration committee of the Company (the "Remuneration Committee") reviews the terms of remuneration packages, bonuses and other compensation payable to the Directors and the senior management personnel of the Group from time to time. The remunerations of the Directors, senior management and employees of the Group are generally determined with reference to their duties, responsibilities and performance.

Report of the Directors

RESULTS AND APPROPRIATIONS

The financial results of the Group for the year ended 31 December 2021 and the financial positions of the Company and the Group as at 31 December 2021 are set forth in the consolidated financial statements on pages 77 to 163 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 164 of this report. This summary does not form part of the consolidated financial statements in this report.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 81 of this report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company had distributable reserves of approximately HK$28,032,000 available for distribution to shareholders of the Company (2020: approximately HK$19,350,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2021 are set out in note 16 to the consolidated financial statements in this report.

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 December 2021 are set out in the paragraph headed "Share Structure" above and note 30 to the consolidated financial statements in this report.

Report of the Directors

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this report were:

Executive Directors

Mr. Kim Jun Yeob（金俊燁先生）*(Chief Financial Officer) (Chairman)*
(appointed as Chairman on 14 January 2022)
Mr. Koo Ja Chu（具滋千先生）*(Chief Executive Officer)*
Mr. Xiao Jingen（肖金根先生）
Mr. Cheng Kwan Yu（鄭君瑜先生）(appointed on 14 January 2022)
Mr. Kim Byung Kwon（金炳權先生）(resigned on 14 January 2022)
Mr. Zhao Xiuming（趙修明先生）(removed on 31 March 2022)

Independent Non-Executive Directors

Mr. Tsang Chung Yu（曾頌愉先生）(appointed on 24 September 2021)
Ms. Sin Pui Ying（冼佩瑩女士）(appointed on 14 January 2022)
Mr. Shin Dongmin（申東旼先生）(resigned on 9 July 2021)
Mr. Kwong Chun Man（鄺振文先生）(resigned on 14 January 2022)
Mr. Lee Tsung Wah, Jonathan（李頌華先生）(resigned on 24 September 2021)
Ms. Cai Peiyao（蔡佩瑤女士）(appointed on 24 September 2021 and removed on 31 March 2022)

Mr. Cheng Kwan Yu, Mr. Tsang Chung Yu and Ms. Sin Pui Ying will retire at the forthcoming annual general meeting ("AGM") and being eligible, will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and in the Amended and Restated Memorandum and Articles of Association of the Company.

Pursuant to the letters of appointment between the Company and the independent non-executive Directors, the independent non-executive Directors have been appointed for a term of three years which may be terminated by either party by giving three months' written notice.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 67 to 69 of this report.

Report of the Directors

DIRECTORS' REMUNERATIONS

Details of the remunerations of the Directors during the year ended 31 December 2021 are set out in note 12 to the consolidated financial statements in this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year ended 31 December 2021 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There had been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the paragraph headed "Share Option Scheme" in this report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company subsisting during or at the end of the year ended 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 64.2% and sales to the Group's largest customer amounted to approximately 54.3% of the total revenue for the year ended 31 December 2021, respectively. Purchases from the Group's five largest suppliers accounted for approximately 35.7% and purchases from the Group's largest supplier amounted to approximately 18.4% of the total purchases for the year ended 31 December 2021.

To the best knowledge of the Directors, neither the Directors, their close associates (as defined in the GEM Listing Rules), nor any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's issued Shares), had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2021.

Report of the Directors

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the year ended 31 December 2021 are disclosed in note 37 to the consolidated financial statements in this report. They did not constitute connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2021.

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which any member of the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2021.

No contract of significance (including provision of services) between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2021.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the date of this report, none of the Directors or chief executive of the Company had any interest and short position in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

As at the date of this report, the interests and short positions of the substantial shareholders of the Company (other than the Directors and the chief executives of the Company) in the Shares and underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register to therein, were as follows:

Name of Substantial Shareholder	Long/ short position	Capacity	Number of Shares	Percentage of issued share capital
Absolute Skill Holdings Limited ("Absolute Skill")	Long position	Beneficial owner	296,980,000	44.997%
Ms. Siu Xiaohe (Note)	Long position	Interest in controlled corporation	296,980,000	44.997%

Note: Ms. Siu Xiaohe held 100% interest in Absolute Skill. By virtue of the SFO, Ms. Siu Xiaohe is deemed to be interested in these 296,980,000 Shares which Absolute Skill has beneficial interest in.

Save as disclosed above, as at the date of this report, the Directors were not aware of any other persons/ entities (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

The updated information on Directors discloseable under Rule 17.50A(1) of the GEM Listing Rules as follows:

Resignation and Appointment of Executive Director and Independent Non-Executive Directors and Change in Board Committees

Effective on 9 July 2021, Mr. Shin Dongmin ("Mr. Shin") tendered his resignation as an independent non-executive Director, the chairman of the Remuneration Committee and nomination committee of the Company (the "Nomination Committee"), and a member of each of the audit committee (the "Audit Committee") and compliance committee (the "Compliance Committee") of the Company.

Following the resignation of Mr. Shin, the Company only had two independent non-executive Directors, thus the number of the independent non-executive Directors falls below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company failed to comply with the requirements set out in Rule 5.28 of the GEM Listing Rules with regard to the minimum number of members of the Audit Committee.

In addition, Mr. Lee Tsung Wah, Jonathan resigned as independent non-executive Director and chairman of the Compliance Committee and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 24 September 2021.

Ms. Cai Peiyao ("Ms. Cai") and Mr. Tsang Chung Yu ("Mr. Tsang") were appointed on 24 September 2021 as independent non-executive Directors to fill the casual vacancies. Ms. Cai and Mr. Tsang are subject to election by the shareholders at the first general meeting after their appointment. Ms. Cai was appointed as the chairlady of the Compliance Committee and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee; and Mr. Tsang was appointed as chairman of the Remuneration Committee and Nomination Committee, and a member of each of the Audit Committee and Compliance Committee.

On 14 January 2022, Mr. Kim Byung Kwon, chairman of the Board and Mr. Kwong Chun Man ("Mr. Kwong") resigned as executive Director and independent non-executive Director respectively. Mr. Kwong also resigned as chairman of the Audit Committee and a member of each of the Remuneration Committee, Nomination Committee and Compliance Committee. Mr. Cheng Kwan Yu ("Mr. Cheng") was appointed as executive Director and Ms. Sin Pui Ying ("Ms. Sin") was appointed as independent non-executive Director to fill the above vacancies with effect from 14 January 2022. Ms. Sin was also appointed as Chairlady of the Audit Committee and a member of each of the Remuneration Committee, Nomination Committee and Compliance Committee.

Following the appointment of Mr. Cheng, Ms. Cai, Mr. Tsang and Ms. Sin, the Board comprises eight Directors including five executive Directors and three independent non-executive Directors. As the Board comprises at least one-third of the directors who are independent non-executive Directors, the Company is in compliance with the requirement of the minimum number of independent non-executive Directors prescribed under Rule 5.05A of the GEM Listing Rules.

Please refer to the announcements of the Company dated 9 July 2021, 24 September 2021 and 14 January 2022 for more information.

Removal of Directors

On 31 March 2022, Mr. Zhao Xiuming and Ms. Cai were removed as executive Director and independent non-executive Director, respectively, in accordance with article 105(h) of the Articles. Following the removal of Ms. Cai, the Board has two independent non-executive Directors only, as such the number of which falls below the minimum number of the three independent non-executive Directors pursuant to Rule 5.05(1) of the GEM Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company has also failed to comply with the requirements set out in Rule 5.28 of the GEM Listing Rules with regard to the minimum number of members of the Audit Committee.

Please refer to the announcements of the Company dated 31 March 2022 and 4 April 2022 for more information.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 18 December 2017. The following is a summary of the principal terms and conditions of the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to reward the Participants (as defined below) who have contributed to the Group and to encourage the Participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and its shareholders as a whole.

2. Who may join

The Directors may, at their discretion, invite directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisors, consultant, distributors, contractors, suppliers, agents, customers, partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group (the "Participants") to take up options at the subscription price.

3. Grant and Acceptance of Option

An offer shall remain open for acceptance by the Participant concerned for a period of 28 days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the option period or after the Share Option Scheme is terminated or after the Participant has ceased to be a Participant.

The offer shall specify the terms on which the option is granted. At the discretion of the Board, such terms may include, among other things, the minimum period for which an option must be held before it can be exercised.

A consideration of HK$1.00 is payable to the Company by the Participant who accepts an offer (the "Grantee") for each acceptance of grant of option(s) and such consideration is not refundable.

4. **Subscription Price of Shares**

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

5. **Maximum number of Shares**

The maximum 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 shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Listing Date, i.e. 66,000,000 Shares (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the shareholders in a general meeting) exceed 1% of the shares in issue for the time being (the "Individual Limit").

6. **Time of exercise of Option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.

7. **Period of Share Option Scheme**

The Share Option Scheme was adopted for a period of ten years commencing from 18 December 2017.

No share option had been granted since the adoption of the Share Option Scheme up to the date of this report and there was no share option outstanding as at 31 December 2021.

Further particulars of the Share Option Scheme are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

Report of the Directors

INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2021, none of the Directors or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

DIRECTORS' EMOLUMENT POLICY

The Remuneration Committee has been established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group having regard to the Group's operating results, individual performance and comparable market standard and practices annually. The Company has adopted a Share Option Scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" of this report.

CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Company had not entered into any connected transaction which is subject to the disclosure requirements under the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 41 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float under the GEM Listing Rules during the year ended 31 December 2021 and up to the latest practicable date prior to the issue of this report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done concurred in or omitted in or about the execution of their duty or supposed duty in their offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty. Such permitted indemnity provision has been in force throughout the year ended 31 December 2021. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

* *for identification purpose*

Report of the Directors

SUPPLEMENTAL INFORMATION

Change of Directors

On 14 January 2022, Mr. Kim Byung Kwon resigned as executive Director and chairman of the Board. Mr. Kim Jun Yeob, an executive Director was appointed as chairman of the Board and Mr. Cheng Kwan Yu was appointed as executive Director following Mr. Kim Byung Kwon's resignation. In addition, Mr. Kwong Chun Man resigned as independent non-executive Director and Ms. Sin Pui Ying was appointed to fill the casual vacancy. Mr. Cheng Kwan Yu and Ms. Sin Pui Ying are subject to election by the shareholders at the first general meeting after their appointment. Please refer to the Company's announcement dated 14 January 2022 for more information.

Removal of Directors

On 31 March 2022, Mr. Zhao Xiuming and Ms. Cai Peiyao were removed as executive Director and independent non-executive Director, respectively, in accordance with article 105(h) of the Articles. Please refer to the announcements of the Company dated 31 March 2022 and 4 April 2022 for more information.

Requisition to convene an extraordinary general meeting ("EGM")

The Board received a letter dated 14 January 2022 from a person who is an alleged representative of Absolute Skill, the substantial shareholder of the Company, purporting to be a written requisition to the Company to convene an EGM. The Board also received another letter dated 15 March 2022 from Absolute Skill purporting to be a written requisition to the Company to convene a meeting (the "March Letter") to, amongst other ordinary resolutions, remove all the Directors of the Board.

In order to avoid any confusion among shareholders and disputes over the legitimacy of the EGM, the Company published a circular dated 12 April 2022 to convene an EGM with ordinary resolutions substantially the same as those in the March Letter.

Please refer to the announcements of the Company dated 23 March 2022, 4 April 2022, 12 April 2022, 13 April 2022, 14 April 2022 and 21 April 2022 and the circular of the Company dated 12 April 2022 for more information.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by HLB Hodgson Impey Cheng Limited. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company. There has been no change of auditors of the Company since the Listing Date.

EVENTS AFTER THE REPORTING PERIOD

(1) On 12 August 2021, Zioncom (Hong Kong) Technology Limited (the "Vendor or Zioncom (Hong Kong)"), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement (the "Disposal Agreement") with Evergo Technology PTE. Limited (the "Purchaser"), an independent third party, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the shares of Công Ty C Ph n Zioncom (Vietnam) (Zioncom (Vietnam) JSC) (the "Target Company"), an indirect non-wholly owned subsidiary of the Company, representing approximately 21.37% of the equity interests in the Target Company, at the consideration of US$2,000,000 (equivalent to approximately HK$15,500,000).

Upon Completion, the Vendor will hold 51% of the equity interests in the Target Company.

According to the three supplemental agreements dated 29 October 2021, 31 December 2021 and 31 March 2022, the date for the fulfilment or waiver of the conditions precedent of the disposal under the Disposal Agreement was extended to 15 May 2022.

Please refer to the announcements of the Company dated 12 August 2021, 29 October 2021, 31 December 2021 and 31 March 2022 for more information.

(2) Subsequent to the end of reporting period, the Group terminated the life insurance policies and its account value is utilised to set off against the outstanding bank borrowings amounted to HK$6,445,000 on 8 February 2022. The remaining account value, net of surrender charges amounting to HK$3,367,000 from this life insurance policy has been received in cash on 11 February 2022. In addition, the Group has early repaid the bank borrowings amounted to HK$4,001,000 on 11 January 2022.

(3) The Board proposed to raise up to approximately HK$23.1 million on the basis of one rights share for every two shares held on the record date by issuing 330,000,000 rights shares at the subscription price of HK$0.07 per rights share (assuming no further issue of new share(s) and no repurchase of share(s) by the Company on or before the record date) (the "Rights Issue"). The Rights Issue is only available to the qualifying shareholders and will not be extended to the excluded shareholder(s) (if any).

The estimated net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be approximately HK$21.6 million (assuming no further issue of new share(s) and no repurchase of share(s) by the Company on or before the record date), if fully subscribed. The Company intends to apply the net proceeds from the Rights Issue for the (i) repayment of part of current debts and loans of the Group; and (ii) general working capital of the Group.

On 28 February 2022 (after trading hours), the Company and the placing agent, Suncorp Securities Limited (the "Placing Agent") entered into the placing agreement, pursuant to which the Placing Agent has conditionally agreed to procure placee(s), on a best effort basis, to subscribe for the unsubscribed rights shares and the excluded shareholders' unsold rights shares.

As additional time is required by the Company to prepare and finalise certain information for inclusion in the prospectus in relation to the Rights Issue, the despatch date of the prospectus documents is expected to be postponed and the expected timetable for the Rights Issue will be revised. Please refer to the announcements of the Company dated 28 February 2022 and 9 March 2022 for more information.

(4) On 13 April 2022, the Company received a petition dated 12 April 2022 (the "Petition") filed by Absolute Skill (the "Petitioner"), the controlling shareholder of the Company in the Court of First Instance of the High Court of Hong Kong, against the Company and each of its Directors. According to the Petition, the Petitioner claimed, inter alia, to remove all the directors of the Board and to terminate the rights issue.

On 20 April 2022, the Company received a summons dated 19 April 2022 (the "Summons") related to the Petition filed by Petitioner, in the Court of First Instance of the High Court of Hong Kong, against the Company and each of its Directors. According to the Summons, the Petitioner claim for, inter alia, that the Directors be restrained from (i) convening the Company's EGM; (ii) preventing the convening of the Petitioner's meeting; and (iii) proceeding with the rights issue.

The Summons application was dismissed on 22 April 2022 with costs to be borne by the Petitioner.

Please refer to the announcements of the Company dated 19 April 2022, 20 April 2022, 21 April 2022 and 22 April 2022 for more information.

Save as disclosed herein and supplemental information section, no subsequent events occurred after 31 December 2021 and up to the date of this report, which may have a significant effect on the assets and liabilities or future operation of the Group.

On behalf of the Board

Kim Jun Yeob
Chairman and Executive Director

Hong Kong, 28 April 2022

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules.

The shares of the Company were listed on GEM of the Stock Exchange on 18 January 2018 (the "Listing"). During the period from the Listing to 31 December 2021, the Company has complied with all the applicable code provisions of the Code, save and except those deviations listed in the section headed "Compliance Committee".

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Kim Jun Yeob is the chairman and Mr. Koo Ja Chun is the chief executive officer of the Group.

The chairman is primarily responsible for major decision making of the Group including deciding the business strategies and overall direction of the Group, ensuring that the Board works effectively and discharges its responsibilities, encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Company and its shareholders as a whole. The role of chief executive officer is primarily responsible for the overall management and overseeing the daily operation of the Group's sales department. As such, the roles of the chairman and chief executive officer are separate and performed by different individuals.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 108 of the Articles, at each AGM one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

In accordance with article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Corporate Governance Report

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the Required Standard of Dealings for the year ended 31 December 2021 and up to the date of this report.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2021 and as at the date of this report are as follows:

Board of Directors
Executive Directors
Mr. Kim Jun Yeob (金俊燁先生) *(Chief Financial Officer) (Chairman)*
(appointed as Chairman on 14 January 2022)
Mr. Koo Ja Chun (具滋千先生) *(Chief Executive Officer)*
Mr. Xiao Jingen (肖金根先生)
Mr. Cheng Kwan Yu (鄭君瑜先生) (appointed on 14 January 2022)
Mr. Kim Byung Kwon (金炳權先生) (resigned on 14 January 2022)
Mr. Zhao Xiuming (趙修明先生) (removed on 31 March 2022)

Independent Non-Executive Directors
Mr. Tsang Chung Yu (曾頌愉先生) (appointed on 24 September 2021)
Ms. Sin Pui Ying (冼佩瑩女士) (appointed on 14 January 2022)
Mr. Shin Dongmin (申東旼先生) (resigned on 9 July 2021)
Mr. Kwong Chun Man (鄺振文先生) (resigned on 14 January 2022)
Mr. Lee Tsung Wah, Jonathan (李頌華先生) (resigned on 24 September 2021)
Ms. Cai Peiyao (蔡佩瑤女士) (appointed on 24 September 2021 and removed on 31 March 2022)

The brief biographic details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 67 to 69 of this report.

The Company had complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules for the year ended 31 December 2021 and up to the date of this report, save and except when Mr. Shin Dongmin resigned as independent non-executive Director (please refer to the Company's announcements dated 9 July 2021 and 24 September 2021) and when Ms. Cai Peiyao was removed as independent non-executive Director (please refer to the Company's announcements dated 31 March 2022 and 4 April 2022). The Company considers all independent non-executive Directors meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

Corporate Governance Report

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board is also delegated with the corporate governance functions under code provision D.3.1 of the Code (renumbered as A.2.1 since 1 January 2022). The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

BOARD MEETINGS AND PROCEDURES

Board members will be provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code (renumbered as C.5.3 since 1 January 2022), at least 14 days' notice will be given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting.

Corporate Governance Report

Details of the attendance of the Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings, Compliance Committee meetings and general meetings of the Company held during the year ended 31 December 2021 are summarised as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Compliance Committee meeting	General meeting
Executive Directors						
Mr. Kim Byung Kwon (resigned on 14 January 2022)	0/5	N/A	N/A	N/A	N/A	0/1
Mr. Kim Jun Yeob	5/5	N/A	2/2	N/A	4/4	1/1
Mr. Koo Ja Chun	2/5	N/A	N/A	1/2	N/A	0/1
Mr. Xiao Jingen	1/5	N/A	N/A	N/A	N/A	0/1
Mr. Zhao Xiuming (removed on 31 March 2022)	3/5	N/A	N/A	N/A	N/A	0/1
Mr. Cheng Kwan Yu (appointed on 14 January 2022)	N/A	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Shin Dongmin (resigned on 9 July 2021)	2/5	4/7	1/2	1/2	2/4	0/1
Mr. Kwong Chun Man (resigned on 14 January 2022)	5/5	7/7	2/2	2/2	4/4	1/1
Mr. Lee Tsung Wah, Jonathan (resigned on 24 September 2021)	4/5	5/7	2/2	2/2	3/4	1/1
Ms. Cai Peiyao (appointed on 24 September 2021 and removed on 31 March 2022)	1/5	2/7	0/2	0/2	1/4	0/1
Mr. Tsang Chung Yu (appointed on 24 September 2021)	1/5	2/7	0/2	0/2	1/4	0/1
Ms. Sin Pui Ying (appointed on 14 January 2022)	N/A	N/A	N/A	N/A	N/A	N/A

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee are posted on the respective websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Company established the Audit Committee with effect from 18 January 2018 with written terms of reference (as amended and adopted by the Company pursuant to the Board resolution passed on 31 December 2018) in compliance with the code provisions of the Code. The primary duties of the Audit Committee are, among others, to make recommendations to the Board on the appointment, re-appointment and removal of external auditors; review and supervise the Group's financial reporting process and internal control system and to provide advice and comments to the Board.

The Audit Committee currently consists of two members, namely Ms. Sin Pui Ying (Chairlady) (appointed on 14 January 2022) and Mr. Tsang Chung Yu (appointed on 24 September 2021), all being independent non-executive Directors. The Group's final results for the year ended 31 December 2021 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

The Audit Committee held seven meetings for the year ended 31 December 2021. Details of the attendance of the Audit Committee meetings are set out above.

At the meetings, the Audit Committee approved the auditors' remuneration for the year ended 31 December 2021, recommended to the Board to re-appoint HLB Hodgson Impey Cheng Limited as the auditors of the Group for the year ending 31 December 2022, subject to approval by the shareholders of the Company at the forthcoming AGM and reviewed the consolidated financial statements and annual results announcement of the Group for the year ended 31 December 2021. The Audit Committee also reviewed risk management and internal control systems of the Group and made recommendations to the Board accordingly.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with effect from 18 January 2018 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Remuneration Committee are, among others, to make recommendation to the Board on the policy and structure relating to all Directors and senior management of the Group; determine the remuneration packages of individual executive Directors and senior management; and ensure that none of the Directors determine their own remuneration.

The Remuneration Committee currently consists of three members, namely, Mr. Tsang Chung Yu (Chairman) (appointed on 24 September 2021) and Ms. Sin Pui Ying (appointed on 14 January 2022), all of whom are independent non-executive Directors, and Mr. Kim Jun Yeob, an executive Director. The majority of the members of the Remuneration Committee are independent non-executive Directors. The remuneration of the Directors was determined with reference to, among other things, their duties, responsibilities and performance. The Remuneration Committee makes recommendations to the Board on remuneration packages of individual Directors and the members of senior management.

The Remuneration Committee held two meetings for the year ended 31 December 2021. Details of the attendance of the Remuneration Committee meeting are set out above.

At the meetings, the Remuneration Committee reviewed the remuneration packages and performance of the Directors and the senior management and remuneration policy of the Directors and made recommendations to the Board accordingly.

NOMINATION COMMITTEE

The Company established the Nomination Committee with effect from 18 January 2018 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Nomination Committee are, among others, to review the structure, size, composition diversity of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

The Nomination Committee currently consists of three members, namely, Mr. Tsang Chung Yu (Chairman) (appointed on 24 September 2021) and Ms. Sin Pui Ying (appointed on 14 January 2022), all of whom are independent non-executive Directors and Mr. Koo Ja Chun, an executive Director. The majority of the members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee held two meetings for the year ended 31 December 2021. Details of the attendance of the Nomination Committee meeting are set out above.

At the meetings, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, formulated the board diversity policy and made recommendations to the Board accordingly.

COMPLIANCE COMMITTEE

The Company established the Compliance Committee with effect from 18 January 2018 with written terms of reference amended and adopted by the Company pursuant to the Board resolution passed on 28 December 2018. The primary duties of the Compliance Committee are, among others, to oversee the legal compliance aspect of the internal control system and the execution of compliance manual which summarises all internal control measures and policies of the Group.

The Compliance Committee currently comprises of three members, namely Ms. Sin Pui Ying (appointed on 14 January 2022 and as Chairlady on 31 March 2022) and Mr. Tsang Chung Yu (appointed on 24 September 2021), all of whom are independent non-executive Directors and Mr. Kim Jun Yeob, an executive Director.

The Compliance Committee held four meetings for the year ended 31 December 2021. Details of the attendance of the Compliance Committee meeting are set out above.

Corporate Governance Report

The major works performed by the Compliance Committee for the year ended 31 December 2021 include the following:

- reviewed the Company's compliance with the Code;
- reviewed and approved the Company's policies and procedures on compliance with legal and regulatory requirements; and
- prepared and submitted summary reports to the Board on the overall compliance performance and corporate governance practices of the Company.

The Compliance Committee reported that it had duly performed its duties relating to the corporate governance functions and save as below, it was not aware of any material non-compliance incidents during the year ended 31 December 2021.

Code Provision A.2.7 (renumbered as Code Provision C.2.7 since 1 January 2022) of the Code provides that the chairman of the Board (the "Chairman") should at least annually hold meetings with the independent non-executive Directors without the presence of other directors. During the year ended 31 December 2021, a formal meeting could not be arranged between the Chairman and all the independent non-executive Directors without the executive Directors present due to their tight schedules. Nevertheless the Chairman could be contacted by email or phone to discuss any potential concerns and/or questions that the independent non-executive Directors might have and would arrange to set up follow-up meetings, whenever necessary.

Code Provision C.1.2 (renumbered as Code Provision D.1.2 since 1 January 2022) of the Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules. Although regular monthly updates to the members of the Board were not arranged, the management provides information and updates to the members of the Board as and when appropriate. The management ensures that all members of the Board properly receives adequate, complete and reliable information in a timely manner.

Code Provision C.2.5 (renumbered as Code Provision D.2.5 since 1 January 2022) of the Code provides that the issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. The Board reviewed the need for setting up an internal audit function during the year ended 31 December 2021 and considered that there was no immediate need after taking into account the Group's current circumstances, such as the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for the internal control of the Group and for reviewing its effectiveness.

Code Provision E.1.2 (renumbered as Code Provision F.2.2 since 1 January 2022) of the Code provides that the Chairman should attend the AGM. However, Mr. Kim Byung Kwon, being the Chairman for the year ended 31 December 2021, was unable to attend the AGM held on 28 May 2021 due to his other business activities and unexpected engagement. Mr. Kim Byung Kwon invited Mr. Kim Jun Yeob, an executive Director to chair and answer questions from the Shareholders at the AGM.

Code Provision I.(f) (renumbered as Code Provision B.(f) since 1 January 2022) of the Code provides that disclosure be made in regards to details of non-compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules and an explanation of the remedial steps taken to address non-compliance. On 9 July 2021, Mr. Shin Dongmin resigned as independent non-executive Director leaving only two independent non-executive Directors which did not meet the requirements pursuant to the above Rules. In addition, Mr. Lee Tsung Wah, Jonathan also resigned as independent nonexecutive Director with effect from 24 September 2021. Ms. Cai Peiyao and Mr. Tsang Chung Yu were appointed on 24 September 2021 to fill the casual vacancies. Ms. Cai Peiyao and Mr. Tsang Chung Yu are subject to election by the shareholders at the first general meeting after their appointment. Please refer to the Company's announcements dated 9 July 2021 and 24 September 2021 for more information.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the Board diversity policy from time to time to ensure the effectiveness of the Board diversity policy.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive Directors have been appointed for a fixed term. Pursuant to the letters of appointment between the Company and the independent non-executive Directors, the independent non-executive Directors have been appointed for a term of three years which may be terminated by either party by giving three months' written notice. Every Director is subject to re-election on retirement by rotation in accordance with the Articles. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers the independent non-executive Directors to be independent as at the date of this report.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director will receive a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

The Company will from time to time provide briefings to all Directors to refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses provided by legal advisers and/or any appropriated institutions at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors (including Directors' induction training) for the year ended 31 December 2021 and up to the date of this report are summarised as follows:

Name of Directors	Type of trainings
Mr. Kim Jun Yeob	A, B
Mr. Koo Ja Chun	A, B
Mr. Xiao Jingen	A, B
Mr. Cheng Kwan Yu (appointed on 14 January 2022)	A, B
Mr. Tsang Chung Yu (appointed on 24 September 2021)	A, B
Ms. Sin Pui Ying (appointed on 14 January 2022)	A, B
Mr. Shin Dongmin (resigned on 9 July 2021)	A, B
Mr. Kwong Chun Man (resigned on 14 January 2022)	A, B
Mr. Lee Tsung Wah, Jonathan (resigned on 24 September 2021)	A, B
Mr. Kim Byung Kwon (resigned on 14 January 2022)	A, B
Ms. Cai Peiyao (appointed on 24 September 2021 and removed on 31 March 2022)	A, B
Mr. Zhao Xiuming (removed on 31 March 2022)	A, B

A: attending seminars/conferences/forums/training sessions

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and Directors' duties and responsibilities

COMPANY SECRETARY

Mr. Kwok Kai Hung, a member of the Hong Kong Institute of Certified Public Accountants, was appointed as the company secretary of the Company on 8 April 2019. Mr. Kwok resigned on 1 July 2021.

Ms. Wong Ngar Lai was appointed as the company secretary of the Company on 1 July 2021. Please refer to the announcement of the Company dated 30 June 2021 for more information.

All Directors had access to the advice and services of the company secretary. The company secretary reported to the Chairman on board governance matters, and was responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with shareholders of the Company and management. During the year ended 31 December 2021, the company secretary has received no less than 15 hours of relevant professional training.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration payment of the Group during the year ended 31 December 2021 falls within the following bands:

	Number of individuals
HK$1,000,000 or below	1

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditors of the Company about its responsibilities for the consolidated financial statements is set out in the independent auditors' report contained in this report. During the year ended 31 December 2021, the Group incurred a loss of approximately HK$42,594,000 and, as of that date, the Group had net current liabilities of approximately HK$10,052,000.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

1. The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares to improve the liquidity of the Group. On 28 February 2022, the Company propose a rights issue to raise not more than of approximately HK$23,100,000 before related expenses. For details of the rights issue, please refer to the Company's announcement dated 28 February 2022.

2. The Group is taking measures to tighten costs control over expenses and seek new profitable contracts for electronic networking products.

3. The Group is actively negotiating with the banks for the extending of existing bank loans. Taking into account the Group's good track records and the security provided to the banks, the Directors believe that the existing bank loans will be renewal or roll-over when their current terms expiry.

4. The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. Based on the cash flow projections, the Directors believe the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from the end of the reporting period.

In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

EXTERNAL AUDITORS' REMUNERATION

The Company engaged HLB Hodgson Impey Cheng Limited as its auditors for the year ended 31 December 2021. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the auditors. During the year ended 31 December 2021, the fee payable to HLB Hodgson Impey Cheng Limited in respect of its statutory audit services provided to the Group was approximately HK$1.3 million.

RISK MANAGEMENT AND INTERNAL CONTROL

The management identifies and evaluates the significant risks relevant to the Group based on their experience in the business environment. They regularly meet with frontline employees and continuously monitor business performance comparing to operational plans and financial budgets.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

As at the date of this report, the Group did not have an internal audit function as required by code provision C.2.5 of the Code (renumbered as D.2.5 since 1 January 2022). The Board reviewed the need for setting up an internal audit function during the year ended 31 December 2021 and considered that there was no immediate need after taking into account the Group's current circumstances, such as the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for the internal control of the Group and for reviewing its effectiveness.

Although the Group does not have an internal audit function, the Group is committed to maintaining and upholding good corporate governance practice and internal control systems.

Corporate Governance Report

During the year ended 31 December 2021, the Board, through the Audit Committee, conducted a review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with the changing external environment; the extent and frequency of communication with the Board in relation to risk management and internal control review; the scope and quality of management's review on risk management and internal control systems; significant failures or weakness identified and their related implications; financial controls; and states of compliance with the Listing Rules. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2021, the Group appointed BT Corporate Governance Limited ("BTCGL") formerly Corporate Governance Professionals Limited to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and

- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment conducted by BTCGL were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by BTCGL to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of BTCGL as well as the comments of the Audit Committee, the Board considered that the internal control and risk management systems of the Group are effective and adequate.

We also established the Compliance Committee, among others, to oversee the legal compliance aspect of the internal control system and the execution of compliance manual which summarises all internal control measures and policies of the Group.

We have engaged external legal advisers to advise the Group on relevant laws and regulations on an ad-hoc basis.

The Group's risk management activities are performed by management on an ongoing process. The effectiveness of the Group's risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

In light of the foregoing, the Directors reviewed the Group's risk management and internal control systems during the year ended 31 December 2021 and are of the view that the Group's risk management and internal control systems are adequate and effective.

Corporate Governance Report

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the shareholders through financial reports and announcements. The Company has established its own corporate website (www.zioncom.net) as a channel to facilitate effective communication with its shareholders and the public. The Company will continue to enhance communications and relationships with its shareholders and investors. A shareholders' communication policy was adopted on 18 January 2018 to comply with code provision E.1.4 of the Code (renumbered as L.(b) since 1 January 2022).

Shareholders, investors and interested parties can make enquiries directly to the Company through the e-mail: jykim@zioncom.net.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Zioncom Holdings Limited

Address:	Office A, 9/F, Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories, Hong Kong
Tel:	(852) 2495 9788
Fax:	(852) 2435 9788
E-mail:	jykim@zioncom.net

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant committees of the Board, where appropriate, to answer the shareholders' questions.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the office of the branch share registrar and transfer office of the Company in Hong Kong no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for shareholders to propose a person for election as a Director is posted on the website of the Company.

POLICY ON PAYMENT OF DIVIDENDS

The Company adopted a policy on payment of dividends (the "Dividend Policy") with effect from 31 December 2018 in compliance with E.1.5 of the Code (renumbered as F.1.1 since 1 January 2022), which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to its shareholders after considering the Company's ability to pay dividends and the dividend amount, which will depend upon, among other things, the Group's general financial condition, actual and future operations and liquidity position, expected working capital requirements and future expansion plans, restrictions on payment of dividends, general market conditions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable.

The Company shall review and reassess the Dividend Policy and its effectiveness with reference to the business, operation and financial position of the Group from time to time, as appropriate.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

For the purpose of the Listing, the Articles were amended and conditionally adopted on 18 December 2017 with effect from 18 January 2018. Save as disclosed, there had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2021.

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

Zioncom Holdings Limited ("Zioncom") is delighted to present its environmental, social and governance report (the "ESG Report") for the financial year ended 31 December 2021. This ESG Report herein focuses on providing an overview of the environmental and social aspects of the Company and its subsidiaries (the "Group"), and outlines how we seek to continually improve our operational strategy in regard to our environment and society in order to cope with the global standards of sustainability.

The Group believes that prudent management of environmental and social issues is one of the key factors in long-term success under this rapidly changing world. To better understand the risks and opportunities for environmental protection, the Group closely follows the requirements and expectations of regulatory authorities through an efficient operation management, well-established policies and procedures, as well as high standard of energy efficient measures and waste treatment. The Group believes that our expertise, capabilities and ownership patterns can be part of the solution to some of the challenges the Group is facing.

In order to carry out the Group's sustainability strategy from top to bottom, the Board of Directors (the "Board") of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance ("ESG") policies. The Board has established certain dedicated teams to manage the ESG issues within each business division of the Group. Designated staff has been assigned to enforce and supervise the implementation of the relevant policies.

Zioncom is committed to the implementation of sustainable development and social corporate responsibility. While the Group is actively developing and expanding our business, the Group also takes environmental, social and moral needs into serious consideration so as to strike a balance and unity between the profitability, environmental and social impacts. The Group also pays great attention to stakeholders including, but not limited to, customers, investors, environment, suppliers, employees and government to establish a good relationship through better understand and respond to their expectations. As a result, the Group will continue to maintain close contact with the stakeholders to meet the expectations and needs of them with an aim to continuously improve our ESG strategies to create an efficient and diversified business.

During the process of the preparation of this ESG Report, the Group has conducted thorough review and evaluation of the Group's existing policies and practices. Unless otherwise stated, this Report covers the data and information from its office or factories located in Hong Kong, the People's Republic of China ("the PRC"), Taiwan, Vietnam and Malaysia.

Environmental, Social and Governance Report

REPORT SCOPE AND BOUNDARY

The ESG Report is prepared in accordance with the selected global, local and industrial standards and best practices, which include, but not limited to, the ESG Reporting Guide as set out in Appendix 20 of the GEM Listing Rules and any applicable accounting and financial reporting standards in Hong Kong.

In order to comply with the disclosure obligations of mandatory disclosure requirements and "comply or explain" provisions, this ESG Report has outlined the overall Group's performance in environmental protection, human resources, operating practice and community involvement for the financial year, from 1 January 2021 to 31 December 2021 ("Reporting Period"). It is prepared under the reporting principles of materiality, quantitative, balance and consistency. For more information on the application of materiality reporting principle, please refer to the section headed "Materiality Assessment" in this ESG Report.

This ESG Report was approved by the Board on 28 April 2022. For details on the Group's corporate governance, please refer to "Corporate Governance Report" on pages 28 to 41 of the Group's Annual Report.

INFORMATION AND FEEDBACK

For details in relation to our financial performance and corporate governance, please visit our website on https://www.zioncom.net/ and/or read our Annual Report for the year ended 31 December 2021. The Group also treasure your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquires to fae@zioncom.net.

ESG MANAGEMENT

Statement from the board

As a responsible corporate citizen, the Group acknowledges that prudent environmental and societal management is of great importance to sustainable economic growth. The ESG Report summarizes the strategy, practice and vision of the Group in respect of issues related to ESG, and conveys the Group's devotion for sustainability. To address the global concern about climate change, the Group has also considered climate-related issues and incorporated them into the ESG Report. All potential and actual risks that may have impact on the Group's businesses will be covered and evaluated in the annual enterprise risk assessment.

The Group has established a governance structure to enhance its management of ESG issues. The Board has an overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing and adopting the ESG-related strategies and targets of the Group, reviewing the Group's performance annually against the targets, and revising the strategies as appropriate if significant variance from the target is identified. In order to exert governance over the ESG issues, the Group has set up an ESG Working Group that comprises of members from middle to senior management and it serves as a supportive role to the Board in implementing the ESG-related strategies and targets, conducting materiality assessments of ESG issues and prioritising them, and promoting the implementation of respective measures. Under the authority of the Board, the ESG Working Group assists in collecting ESG data from respective functional department, monitoring the implementation of the measures, investigating deviation from the targets, and liaising with the respective functional department to take prompt rectification actions. The ESG Working Group reports to the Board about the ESG performance of the Group and the effectiveness of the ESG management system on a semi-annual basis.

The Board will continue to review the progress based on the goals and targets set, and improve the Group's sustainable development.

Governance structure

Board	• The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG system.
ESG Working Group	• The ESG Working Group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.
Functional Department	• Functional department is responsible for the execution of implemented measures to achieve the strategies and targets set.

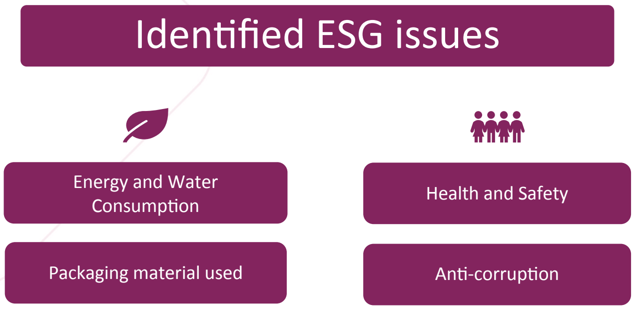
OUR STAKEHOLDERS

The Group strongly believes that our stakeholders play crucial roles in sustaining the success of our business. The Group treasures every opportunity to understand and engage our stakeholders, in order to make continuous improvement for our products and services.

Stakeholders	Probable Points of Concern	Communication and Responses
HKEX	Compliance with listing rules, and timely and accurate announcements.	Meetings, training, workshops, programs, website updates, and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Investors	Corporate governance, business strategies and performance, and investment returns.	Organizing briefing sessions and seminars, interviews, shareholders' meetings, issue of financial reports or operation reports for investors, media and analysis.
Media & Public	Corporate governance, environmental protection, and human rights.	Issue of newsletters on the Company's website.
Customers	Service quality, service delivery schedule, reasonable prices, service value, and personal data protection.	After-sales services.
Employees	Rights and benefits of employees, compensation, training and development, work hours, and working environment.	Conducting union activities, training, interviews with employees, internal memos, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Developing community activities, employee voluntary activities, and community welfare subsidies and donations.

MATERIALITY ASSESSMENT

The Group has identified key ESG issues that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG report, internal policies, industry trends and the Sustainability Accounting Standards Board's Materiality Map. The ESG issues have been analysed with reference to an array of factors, including the Group's overall strategy, development, goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective level of impact. The ESG issues have been identified as follows:



ENVIRONMENTAL

Overview

The Group recognises that environmental protection is of utmost importance in our society. The Group is devoted to reduce the environmental impacts of its operations and to promote environmental protection within the Group. Various measures have been adopted to save energy and resources, as set out in this ESG Report, and an ESG policy has been formulated to guide the overall ESG practices.

The Group has established an environmental management system in its operations with relevant policies and procedures that meet the international industry specific environmental standards, and obtained ISO14001 certification. The established policies and procedures include, but are not limited to, Environmental Factor Identification and Evaluation Policy, Hazardous Substances Identification and Control Procedure, Environment Protection Policy for New Projects and Pollution Control Policy.

For the year ended 31 December 2021, the Group was not aware of any material non-compliance with the relevant environmental laws and regulations, which would have significant impact on the Group in relation to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The relevant environmental laws and regulations include, but are not limited to, the Environmental Protection Law of the PRC, Law on Energy Conservation of the PRC, Law on the Prevention and Control of Atmospheric Pollution of the PRC and Law on Environmental Protection of Vietnam.

Emissions

Air Emission

The Group has generated air emissions and greenhouse gas through our direct vehicle emissions. During the Reporting Period, the Group has 14 motor vehicles in total. There are 9 additional motor vehicles, consisting of 8 new private cars and 1 light goods vehicle, as compared with the previous reporting period. Owing to the 9 new vehicles, the NOx, SOx and PM emission all increased. The air emission data with regard to vehicle emissions is as follows:

Year ended 31 December	2021	2020
NOx emission *(in g)*	**81,596.04**	46,986.29
SOx emission *(in g)*	**405.10**	180.42
PM emission *(in g)*	**7,513.24**	4,363.44

Greenhouse Gas Emission

Greenhouse gases generated from human activities is one of the significant drivers of global warming which affect the living of present and future generation. Therefore, the Group is highly concerned about the importance of monitoring and mitigating the greenhouse gas emission in our operations. As mentioned, the vehicle fuel combustion is the major activities that generate direct emissions from operations. In addition, indirect greenhouse gases emission is mainly resulted from the purchase of electricity within the Group. The total emission of the Group during the Reporting Period is shown in the following table:

Year ended 31 December	2021	2020
CO_2 emission (Scope 1 only) *(in kg)*	**65,213.27**	28,999.34
CH_4 emission (Scope 1 only) *(in kg)*	**118.78**	57.17
N_2O emission (Scope 1 only) *(in kg)*	**8,136.98**	3,948.59

On the other hand, the following is the greenhouse gases generated through the purchase of electricity used to support the equipment in the operation.

Year ended 31 December	2021	2020
Electricity consumption *(in kWh)*	**5,020,351.00**	4,855,338.40
Electricity consumption intensity *(kWh/number of employee)*	**5,906.30**	5,511.17
Carbon emission (Scope 2 only) *(in tonnes CO_2-e)*	**3,352.38**	4,099.15
Carbon intensity *(tonnes CO_2-e/number of employee)*	**3.94**	4.65

The increase in direct greenhouse gases emission as compared with previous reporting period was caused by 9 additional vehicles, which significantly increased the amount of fuel used. For the increase in electricity consumption intensity, it was caused by full resumption of work owing to the ease of the COVID-19 pandemic, the opening of Vietnam's second factory and decrease in number of employees in Taiwan and the PRC. Nonetheless, the indirect greenhouse gases emission resulted from the Group's purchase of electricity decreased due to the decrease in emission factors issued by local energy authorities in Hong Kong, the PRC, Vietnam and Taiwan. Therefore, the Group has fulfilled the target of maintaining greenhouse gas emission intensity at/below 5.00 tonnes CO_2-e per employee for the year ended 31 December 2021.

To uphold the principles of sustainable development, the Group is committed to reduce its carbon footprints, and aims to maintain the greenhouse gas emission intensity at/below 5.00 tonnes CO_2-e per number of staff in the next reporting period through adopting the mitigating measures in the section headed "Measures to Mitigate Emissions" below.

Measures to Mitigate Emissions

Greenhouse gas emissions of the Group arise mainly from the use of electricity. Therefore, the Group attaches great importance to saving electricity for emission reduction. A comprehensive guideline that outlines various energy saving measures has been issued and executed in the Group. For instance, employees are encouraged to turn off all electronic equipment when it is not in used, and make sure that all the lights and air-conditioners are switched off before leaving the office and factories. Owing to the measures for reducing emission, the Group has been maintaining a stable emission level which meets the emission standards set out by law and maintains its ISO14001 certification.

Waste Management

The Group was not aware of any hazardous waste arisen from its operation during the Reporting Period. The non-hazardous waste includes food waste, household garbage, plastic packaging materials and boxes generated from the Group's factories in the PRC. During the Reporting Period, the total non-hazardous waste was generated from daily operations and as well as canteen and packing. The non-hazardous waste consumed and its intensity are as follows:

Year ended 31 December	**2021**	2020
Total Non-hazardous Waste Consumed *(in tonnes)*	**128.95**	150.31
Number of employee in the PRC	**503**	523
Intensity of Non-hazardous Waste Consumed *(tonnes/number of employee)*	**0.26**	0.29

During the Reporting Period, there was a decrease in non-hazardous waste produced because some materials originally put for disposal were collected by suppliers for reuse instead. As those materials still had commercial value, they were not categorized as waste produced by the Group. The Group has established a comprehensive Waste Control Policy which sets out the categorisation, collection, labelling, management, disposal and record-keeping of waste. Majority of non-hazardous waste was being filtered, sorted and processed for recycling as much as possible. The final residual waste was incinerated by authorised waste treatment companies. During the Reporting Period, the Group has successfully reached its target of maintaining non-hazardous waste produced at/below 0.4 tonnes per employee.

In terms of paper consumption, the Group adopts the following measures to minimise the generation of waste:

- Using fax or emails to minimise printing needs
- Using recycled papers
- Using both sides of paper for printing and photocopying except for formal and confidential documents
- Recycling used envelopes and folders in issuing internal documents and letters
- Avoiding printing and photocopying documents unless a printed version is required

The Group will make continuous efforts in maintaining the intensity of total non-hazardous waste produced at/below 0.4 tonnes per employee in the next reporting period.

Use of Resources

Total Energy Consumption

The Group's energy consumption comes from purchased electricity and water. Electricity is required for the Group's operation of factories and office in Hong Kong, the PRC, Taiwan, Vietnam and Malaysia. Water is mainly consumed in canteens, washrooms and the staff quarters in the PRC and Vietnam. The Group has not encountered any difficulties in sourcing suitable water sources. Its office and factories have stable water supply that meets daily operational needs.

During the Reporting Period, the Group's water consumption condition is shown as follow:

Year ended 31 December	**2021**	2020
Water consumption *(in m^3)*	**75,866.00**	62,123.00
Number of employee in the PRC and Vietnam	**825**	849
Water consumption intensity *(m^3/number of employee)*	**91.96**	73.17

The increase in water consumption was due to the opening of Vietnam's second production plant and increase in production volume in the PRC. Unfortunately, the Group did not achieve the target of maintaining its total water consumption intensity at/below 80 cubic metres per employee for the year ended 31 December 2021. In the next reporting period, the Group will strengthen employees' awareness about water conservation and delivery a clear message that the management puts great emphasis on energy and water conservation. For information regarding the Group's electricity consumption during the Reporting Period, please refer to the above section headed "Greenhouse Gas Emission".

The Group has adopted various policies such as the Energy and Resource Policy and Air Conditioning Management System, to raise employees' awareness about electricity and water conservation, in order to reduce the Group's energy usage and enhance its efficiency. Specific measures include posting water-saving labels near faucets, regular maintenance of water facility, setting specific air condition temperature for different factory areas, etc. The Group will make continuous efforts in working towards the target of maintaining its total water consumption intensity at/below 100 cubic metres per employee in the next reporting period.

Packaging

The Group's packaging materials include carton paper, plastic packaging materials and metal packaging materials generated from factories in the PRC and Vietnam. During the financial year ended 31 December 2021, the total packaging material was approximately 2,622.48 tonnes. The usage of packaging materials during the Reporting Period is as follows:

Year ended 31 December	**2021**	2020
Total Packaging Material Used *(in tonnes)*	**2,622.48**	2,277.51
Production quantity *(in piece)*	**10,274,349.00**	10,947,457.00
Intensity *(tonnes/production quantity)*	**0.00025524**	0.00020804

The Environment and Natural Resources

As the Group is principally engaged in manufacturing and sales of networking products and non-networking products, there is no significant consumption of natural resources. Hence, the Group's operations do not have any significant impact on the environment. Nevertheless, the Group is concerned about the natural resources consumed along the supply chain and it endeavours to select vendors that are environmentally and socially conscious. Details of vendor selection criteria are set out in the section headed "Supply Chain Management" below.

Climate Change

The Group has considered the potential climate-related risks and opportunities in respect of the recommendations of the Task Force on Climate-related Financial Disclosures, in which potential physical risk and transition risk from climate change may pose adverse financial impacts on the Group's businesses are shown below:

Risk category	Potential Financial Impact (Low / Medium / High)	Short term (This Reporting Period)	Medium term (1 to 3 years)	Long term (4 to 10 years)	Mitigation Strategy
Transition risks	**Policy and Legal** Increased compliance costs and potential disruption related to new climate-related regulations.	Low	Low	Medium	Regularly monitor the regulatory environment and strictly adhere to the Group's emission-reduction measures to maintain a low emission level.
	Market Reduced demand for goods due to shift in consumer preferences to green products.	Low	Low	Medium	Continue to monitor the product market. Retain experienced expertise in designing and manufacturing products that meet customers' demand and expectations. Continue the Group's commitment to quality and retain relevant ISO qualifications.
Physical risks	**Acute** Extreme weather conditions such as flooding and storms that lead to supply chain disruption, loss of property and loss of revenue due to disruption.	Low	Low	Low	Maintain a large supplier base and set up safety measures and contingency plans in regards to extreme climate events.
	Chronic Increased operating costs related to increased need for cooling and heating due to changing temperatures.	Low	Low	Medium	Adopt the Group's energy conservation measures detailed in the above subsection headed "Measures to Mitigate Emissions".

It is expected both the physical and transition risks do not have material impacts on the Group's operations. Nonetheless, the Group will continue to monitor the climate-related risks and implement relevant measures to minimize our exposure to physical and transition risks.

SOCIAL

Employment

The Group firmly believes that employees are one of the most important assets of an enterprise. When recruiting new employees, the Group considers the work experience and background of the candidate, the expected work ability, market remuneration for the position, internal budget and other objective factors. Termination of any employment contract shall be based on reasonable cause with proper legal basis. Promotion opportunities and salary adjustments are benchmarked against individual performance.

The Group has established official equal opportunity policies and anti-discrimination policies as part of its corporate responsibility policy. The Group advocates unprejudiced behaviour within workplace and forbidden its employees from discriminating others against his/her race, gender, age, ethnic background, sexual orientation or religious belief. Moreover, the Group is committed to safeguarding employees' entitlement to statutory benefits and abide by any statutory leave prescribed by the relevant laws and regulations. The Group pays for the mandatory provident fund, all kinds of insurance and housing funds for its employees in accordance with the relevant laws in Hong Kong, the PRC, Taiwan and Vietnam. Other benefits include medical insurance coverage and performance related discretionary bonuses. The working hours meet local employment laws and are stipulated in employment contracts too.

In order to foster a sense of belonging of employees, the Group organises a variety of social activities for the employees' bonding. They include annual dinner, festival dinner and other group activities. These activities help establish the harmonious relationships among employees and enhance team cohesion within the Group.

For the year ended 31 December 2021, there was no substantial case of non-compliance regarding employment laws and regulations, which would have a significant impact on the Group in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

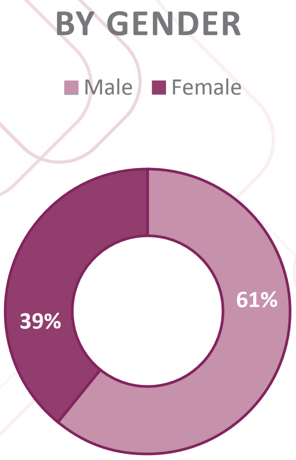
The Team

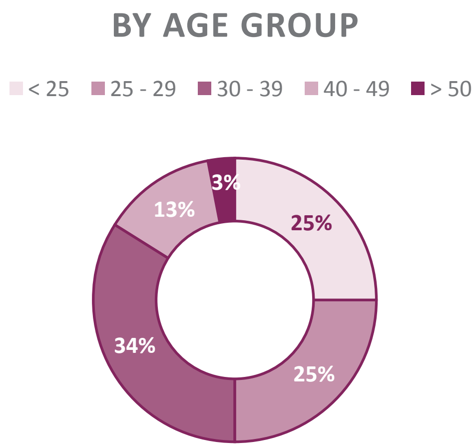
The Group believes that a diversified and cohesive team is indispensable to the success of its business. The Group strives to ensure that its recruitment process is fair and without any discrimination.

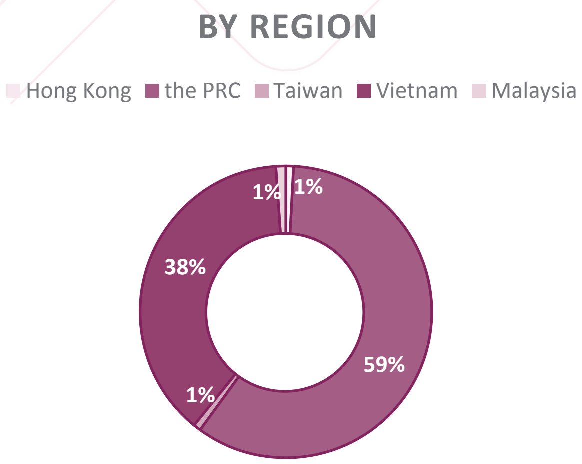
As of 31 December 2021, the Group had a total of 850 employees. Breakdowns of the employees by gender, age group, geographical region and employment type for the Reporting Period are set out below:

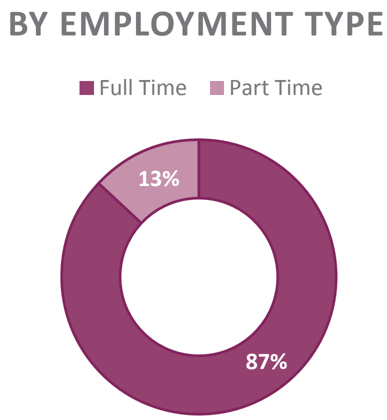
Number of Employees in Relevant Category

	2021
By Gender	
Male	515
Female	335
By Age Group	
<25	211
25-29	211
30-39	289
40-49	115
> 50	24
By Employment Type	
Full Time	737
Part Time	113
By Region	
Hong Kong	10
The PRC	503
Taiwan	10
Vietnam	322
Malaysia	5


BY GENDER
Male
Female
61%
39%


BY AGE GROUP
< 25
25 - 29
30 - 39
40 - 49
> 50
3%
25%
13%
34%
25%


BY REGION
Hong Kong
the PRC
Taiwan
Vietnam
Malaysia
1%
1%
38%
59%
1%


BY EMPLOYMENT TYPE
Full Time
Part Time
13%
87%

Environmental, Social and Governance Report

During the Reporting Period, employee turnover across the Group was 175% and its compositions are as follows:

Percentage of Employee Turnover in Relevant Category[i]

	2021
By Gender	
Male	**130%**
Female	**245%**
By Age Group	
<25	**310%**
25-29	**169%**
30-39	**137%**
40-49	**66%**
> 50	**21%**
By Region	
Hong Kong	**0%**
The PRC	**206%**
Taiwan	**60%**
Vietnam	**139%**
Malaysia	**20%**

i During this Reporting Period, turnover rate was calculated as a percentage of employees in relevant category, in accordance with "Appendix 3: Reporting Guidance on Social KPIs" issued by HKEX.

Occupational Health and Safety

The Group recognises the importance of maintaining a safe and healthy working environment for its employees. The Group has adopted various occupational policies and procedures in its business operations. It helps ensure that all employees pay attention to the safety procedures, protective equipment procedures and their social and environmental responsibilities. These include Guidelines for Operational and Safety Control Procedures, Occupational Health Management Procedures, Equipment Operation and Maintenance Procedures, Emergency Control Procedure and Social and Environmental Responsibility. In addition, the Group also has contingency measures set out in its Emergency Preparedness and Response Policy. It outlines the work arrangement and emergency measures in times of crisis, such as typhoon, fire and large-scale accidental discharge or emission that may pollute the environment.

For the year ended 31 December 2021, the Group has complied with relevant laws regarding the provision of a safe working environment and protecting employees from occupational hazards. They include, but are not limited to, the Occupational Safety and Health Ordinance of Hong Kong, Production Safety Law of the PRC and Fire Protection Law of the PRC.

During the last three Reporting Period, no work-related fatality and lost days due to work injury were recorded by the Group.

Development and Training

The Group believes that people development is vital to business growth. The Group therefore provides different training programmes for each department to enhance their industry, technical and product knowledge, as well as their familiarity with industry quality standards and work safety standards. Other than on-the-job training, employees are encouraged to take part in external training to strengthen their skills, knowledge, and professionalism. The Group also assists relevant employees in fulfilling their continuous professional training hour requirement. For the year ended 31 December 2021, 73% of total employees took part in training.

During the Reporting Period, the percentage of employees trained are as follows:

Percentage of Employees Trained in Relevant Category

	2021
By Gender	
Male	50%
Female	50%
By Employee Category	
Entry level	86%
Middle level	12%
Management level	2%

The average training hours completed per employee are shown as follow[ii]:

	2021
Average Hours of Training Per Employee	1.82
Average Hours of Training in Relevant Category	
By Gender	
Male	1.58
Female	2.18
By Employment Category	
Entry level	1.77
Middle level	2.12
Management level	2.13

Labour Standards

The Group has complied with the relevant laws and regulations in preventing child and forced labour. To prevent employment of child labour, newly recruited employees are required to provide a copy of identification document for age verification. Signing employment contracts with our employees, which clearly state the job positions of the employees, is also an essential part of our employment process to prevent forced labour. Job seekers under the age of 16 or those who provide false or untrue identity proof are not employed by the Group. During the Reporting Period, there was no non-compliance case in relevant laws and regulations.

ii During this Reporting Period, average training hours by gender and employment category are calculated based on the total number of employees in relevant category, in accordance with "Appendix 3: Reporting Guidance on Social KPIs" issued by HKEX.

Supply Chain Management

The Group has engaged in manufacturing and sales of networking products and non-networking products through its subsidiaries (the "Subsidiaries"). The main products procured by the Subsidiaries are chipsets, main chips, antenna and printed circuit board. The Subsidiaries mainly source raw materials from suppliers located in the PRC, with whom the Subsidiaries have maintained approximately at least 5 years of business relationship. The Group's experienced management team is responsible for managing and maintaining a healthy and harmonious relationship with the suppliers.

The Group expects its suppliers to uphold the principles of integrity and corporate responsibility. A Purchasing Policy has been established to strengthen the monitoring and management of suppliers. The Group requires suppliers to comply with applicable laws and regulations including the Restriction of Hazardous Substances Directive 2002/95/EC ("RoHS") and the Registration, Evaluation, Authorisation and Restriction of Chemicals Regulation (EC) No 1907/2009 ("REACH"). Supplier assessments are performed every six months by the purchasing department to ensure that their products are of high quality and compliant with relevant regulations.

For sourcing new suppliers, the management or sales personnel of the Subsidiaries will conduct interviews with the supplier's relevant staff or management, and require suppliers to provide samples for review. They will also obtain relevant documents such as supplier information forms and compliance declaration forms in relation to the RoHS and REACH. The selecting process will be based on product's market demand, quality and competitiveness; the supplier's financial status, quality control policies and procedures, environmental and social compliance, background information and corporate reputation.

During the Reporting Period, all 175 approved suppliers were located in the PRC.

Product Responsibility

For the year ended 31 December 2021, the Group has complied with the relevant laws and regulations that have a significant impact on the Group relating to, health and safety, advertising, products and services labelling, and privacy matters, and the Group did not receive any complaints relating to breach of customer privacy/loss of customer information.

Product quality assurance

There are existing laws and regulations in Hong Kong, the PRC, Taiwan and Vietnam that specifically define and regulate the Group's business in trading networking products. The Group has complied with all the relevant laws and regulation by obtaining and annually renewing its radio licenses, as well as obtaining testing certificate before products are exported to foreign countries.

The Group maintains stringent quality assurance and inspections throughout its procurement, manufacturing and product design process, as set out in its well-established Product Inspection Procedure, Purchasing Policy and Quality Objectives. Our high standard of supplier selection and management also accounts for the quality assurance of our products, which is detailed in the above subsection headed "Supply Chain Management".

The Group has played a vital role in understanding customers' needs and maintaining years of business relationships with their key customers by ongoing, transparent and active communication. The Group always welcome feedbacks from our customers so that we can continuously enhance our products and services. Customer satisfaction surveys are performed twice a year too. During the Reporting Period, there was no product or service-related complaint received by the Group, and no product sold or shipped was subject to recalls for safety or health reasons.

Data Privacy

In order to build customer trust and loyalty, the Group has established measures to reduce the risk of employees leaking confidential information to outsiders.

The Group restricts the use of customers' personal data for any purposes other than what have been stated in the customer contracts. If any employee who has been discovered of misappropriating customers' private data, the Group will take disciplinary action against the employee concerned and reserve its right to legal action. Moreover, non-disclosure agreements are signed by the employees of the Group to ensure that they are aware of their legal binding obligations for protecting confidential information of the Group. The Group's practices in collecting, using and maintaining its information are compliant with the Personal Data (Privacy) Ordinance of Hong Kong, Personal Information Protection Law of the PRC, Personal Data Protection Act in Taiwan and Personal Data Protection Act of Malaysia.

Intellectual Property Rights

The Group recognises the importance of protecting and enforcing its intellectual property rights, and strictly complies with all relevant laws and regulations that have a significant impact on it including, but not limited to, the Trade Marks Ordinance and Copyright Ordinance of Hong Kong, Trademark Law of the PRC and Patent Law of the PRC. The Group has adopted practices to avoid infringement of intellectual property rights, such as entering into Confidentiality Agreement or Non-Disclosure Agreement with its subcontracted manufacturer and employees; and registering intellectual property rights that are material to its business operation.

Anti-corruption

The Group takes its responsibilities for anti-corruption, anti-money laundering, fraud, bribery and extortion prevention very seriously. We have established a Bribery, Gift and Entertainment Policy, as well as Corporate Responsibility Policy, which convey a clear message to all employees that acts of bribery, extortion and fraud are strictly prohibited.

We encourage employees to report immediately the Audit Committee about possible malpractices or improprieties in any matter related to the Group. A full investigation will be conducted and upon confirmation of the occurrence, disciplinary action will be applied to employees involved. Further legal action may be taken depending on the circumstances of each case. If the person raising the issue or concern wishes to keep his/her identity anonymous, the Group will take every reasonable effort to maintain the confidentiality.

The Group has complied with the relevant laws and regulations, including the Prevention of Bribery Ordinance of Hong Kong and the Criminal Law of the PRC. For the year ended 31 December 2021, no legal case about corruption was brought against the Group or its employees, and the Group is not aware of any incident relating to bribery, extortion, fraud, money laundering or other violations. In addition, the Group arranged an anti-corruption training for 21 employees including directors and middle level managers in December 2021.

Community Investment

The Group pursues sustainable development of our community by assessing and managing the social impact of our operations, and by supporting initiatives that create positive and lasting benefits to communities in our operating boundaries.

The Group encourages its staff to take part in community welfare and voluntary work. We also promote healthy development of our employees' physical and mental well-being. The Group always take into consideration the community's interests when making business decisions and explore opportunities in organising charitable activities. The Group will make an effort to contribute in the area of labor needs and cultural area of the local community in the future.

HKEX ESG REPORTING GUIDE CONTENT INDEX

Part A: Environmental

ESG Aspects	Related Section(s)	Remarks
	A1. Emissions	
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Overview, Air Emissions, Greenhouse Gas Emission, Hazardous and Non-hazardous Waste	
KPI A1.1 The types of emissions and respective emission data.	Air Emission	
KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas Emission	
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
KPI A1.5 Description of emissions target(s) set and steps taken to achieve them.	Measures to Mitigate Emissions	
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Hazardous and Non-hazardous Waste	

ESG Aspects	Related Section(s)	Remarks
A2. Use of Resources		
Policies on the efficient use of resources, including energy, water and other raw materials.	Total Energy Consumption	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Total Energy Consumption	
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Total Energy Consumption	
KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Total Energy Consumption	
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Total Energy Consumption	
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging	
A3. The Environmental and Natural Resources		
Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources	
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources	
A4. Climate Change		
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	
KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	

ESG Aspects	Related Section(s)	Remarks
Part B. Social		
B1. Employment		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment	
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	The Team	
KPI B1.2 Employment turnover rate by gender, age group and geographical region.	The Team	
B2. Health and Safety		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	
KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety	
KPI B2.2 Lost days due to work injury.	Health and Safety	
KPI B2.3 Description of occupational measures adopted, how they are implemented and monitored.	Health and Safety	
B3. Development and Training		
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	
KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training	
KPI B3.2 The average training hours completed per employee by gender and employee category.	Development and Training	

ESG Aspects	Related Section(s)	Remarks
B4. Labour Standards		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment	
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	Employment	
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Employment	
B5. Supply Chain Management		
Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
KPI B5.1 Number of suppliers by geographical region.	Supply Chain Management	
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	

ESG Aspects	Related Section(s)	Remarks
B6. Product Responsibility		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to, advertising, labelling and privacy matters relating to products and services provided and method of redress.	Product Quality Assurance	
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality Assurance	
KPI B6.2 Number of products and service-related complaints received and how they are dealt with.	Product Quality Assurance	
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights	
KPI B6.4 Description of quality assurance process and recall procedures.	Product Quality Assurance	
KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Privacy	
B7. Anti-corruption		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	
KPI B7.3 Description of anti-corruption training provided to directors and staff.	Anti-corruption	

ESG Aspects	Related Section(s)	Remarks
B8. Community investment		
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities take into consideration the communities' interests.	Community Investment	
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	Community Investment	

Biographies of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. Kim Jun Yeob (金俊燁先生), aged 53, is the chairman, executive Director, chief financial officer and a member of each of the Remuneration Committee and the Compliance Committee. Mr. Kim joined the Group in March 2008 and is responsible for the financial planning of the Group and oversees the daily operation of the Group's finance department. Mr. Kim has over 23 years of experience in finance administration. Prior to joining the Group, from December 1993 to August 2002, he worked in TS Corporation, a company listed on the Korea Stock Exchange (stock code: 001790.KS) which principally engaged in the manufacture and sale of food products in Korea in several departments including management, accounting and information resource departments and his last position served was assistant manager in information resource department. From August 2002 to February 2008, Mr. Kim was a finance and administration deputy general manager in Sunjin Stationary Co., Ltd*(鮮真綜合文具(深圳)有限公司), a company that specialises in the manufacturing and marketing of photo albums, where he was primarily responsible for carrying out financing, accounting, taxation, administration and human resources. Mr. Kim graduated from Inha University(仁荷大學*)in Incheon, Korea with a Bachelor of Arts degree in business administration in February 1994.

Mr. Koo Ja Chun (具滋千先生), aged 49, is the executive Director, chief executive officer and head of sales department of the Group. He is also a member of the Nomination Committee of the Company. Mr. Koo is responsible for the Group's overall management, generating sales forecast and sales analysis, and overseeing the daily operation of the Group's sales department. Mr. Koo has over 12 years of experience in the networking equipment industry through the principal roles he assumed with the Group, including directorship in Zioncom HK and the legal representative of 吉翁電子(深圳)有限公司 (Zioncom Electronics (Shenzhen) Limited*). Mr. Koo joined the Group as a director of Zioncom HK on 6 February 2004. Mr. Koo graduated from Dongguk University(東國大學*)in Seoul, Korea with a Bachelor of Business Administration in Management in February 2003.

Mr. Xiao Jingen (肖金根先生), aged 46, is the executive Director. Mr. Xiao is the head of the Group's manufacturing department and also the head of the Group's research and development department. Mr. Xiao joined the Group in December 2002 and is responsible for production planning, overseeing the Group's production department and research and development department of the Group. Mr. Xiao has over 10 years of experience in research and development and production management. From May 2011 to December 2015, Mr. Xiao served as a supervisor of Shenzhen Shengshi Zhongtang Technology Co., Ltd.*(深圳市盛世眾唐科技有限公司), a company engaged in sale of electronic products. Mr. Xiao graduated from the Nanchang Aerospace Engineering Institute*(南昌航空工業學院(now known as Nanchang Hangkong University*(南昌航空大學))with a diploma in electronics information technology in July 1998. He obtained a master's degree in business administration from Beijing University of Technology and Science*(北京科技大學)in June 2013.

Biographies of Directors and Senior Management

Mr. Cheng Kwan Yu (鄭君瑜先生), aged 39, was appointed as executive Director on 14 January 2022. Mr. Cheng received his Bachelor of Business Administration degree from the University of Management and Technology in the United States of America. Mr. Cheng has around 18 years of local and overseas property investment experience, including property trading, monitoring, risk management and consulting service experience. Mr. Cheng is a part-time assistant unit manager and licensed insurance agent of China Taiping Life Insurance (Hong Kong) Company Limited involved in developing new businesses, customer relations and recruitment.

Independent non-executive Directors

Ms. Sin Pui Ying (冼佩瑩女士), aged 42, was appointed as an independent non-executive Director on 14 January 2022. She is the Chairlady of the Audit Committee and a member of each of the Remuneration Committee, Nomination Committee and Compliance Committee. Ms. Sin graduated from the University of Hong Kong with a degree of Bachelor of Business Administration in Accounting and Finance. She is a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Ms. Sin has over 17 years of working experience in auditing, accounting, investment and corporate finance. She was an executive director of each of (i) hmvod Limited (stock code: 8103), which is listed on GEM of the Stock Exchange, for the period from 21 April 2020 to 2 February 2021; (ii) Power Financial Group Limited (stock code: 397), which is listed on the Main Board of the Stock Exchange, for the period from 15 April 2021 to 31 January 2022; (iii) Courage Investment Group Limited (stock code: 1145), which is listed on the Main Board of the Stock Exchange, for the period from 25 September 2020 to 30 November 2021; (iv) HongDa Financial Holding Limited (now known as China Wood International Holding Co., Limited) (stock code: 1822), which is listed on the Main Board of the Stock Exchange, for the period from 15 May 2020 to 24 August 2020; (v) Aurum Pacific (China) Group Limited (stock code: 8148), which is listed on GEM of the Stock Exchange, for the period from 22 November 2019 to 15 September 2020; and (vi) KNK Holdings Limited (stock code: 8039), which is listed on GEM of the Stock Exchange, for the period from 29 August 2019 to 8 January 2021. She is currently an executive director of On Real International Holdings Limited (stock code: 8245), which is listed on GEM of the Stock Exchange.

Mr. Tsang Chung Yu (曾頌愉先生), aged 53, was appointed as an independent non-executive Director on 24 September 2021. He is the Chairman of the Remuneration Committee and Nomination Committee, and a member of each of the Audit Committee and Compliance Committee. Mr. Tsang has over 29 years' experience in sales, developing commercial relationships with customers, analysing market trends and strategic planning. Mr. Tsang also has 5 years' experience in cryptocurrency trading and blockchain technology as a consultant in the daily operation of a cryptocurrency exchange platform.

Independent Auditors' Report

国衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
ZIONCOM HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zioncom Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 163, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 to the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK$42,594,000 during the year ended 31 December 2021 and, as of that date, the Group's net current liabilities are approximately HK$10,052,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses recognised in respect for trade receivables, deposits and other receivables	
Refer to Notes 4(b), 5, 20 and 21 to the consolidated financial statements.	
As at 31 December 2021, the Group had gross trade receivables of approximately HK$85,684,000 and allowance for expected credit losses of approximately HK$39,026,000. As at 31 December 2021, the Group had gross deposits and other receivables of approximately HK$7,040,000 and allowance for expected credit losses of approximately HK$87,000. In general, the credit terms granted by the Group to the customers ranged between 30 to 120 days. Management performed periodic assessment on the recoverability of the trade receivables, deposits and other receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.	Our procedures in relation to management's estimated allowance for expected credit losses of the trade receivables, deposits and other receivables as at 31 December 2021 included: • Understanding and assessing the design implementation of management's key controls relating to credit control, debt collection and estimate of expected credit losses; • Checking, on a sample basis, the ageing profile of the trade receivables, deposits and other receivables as at 31 December 2021 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables, deposits and other receivables past due as at year end and corroborating explanations from management with supporting evidence, such as internal credit assessment of selected customers, understanding ongoing business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the counterparties; and

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses recognised in respect for trade receivables, deposits and other receivables *(Continued)*	
We focused on this area due to the impairment assessment of trade receivables, deposits and other receivables under the expected credit losses model involved the use of significant management judgements and estimates.	• Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgement and estimates used to assess the recoverability of the trade receivables, deposits and other receivables and determine the allowance for expected credit losses to be supportable by available evidence.

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of property, plant and equipment and right-of-use assets

Refer to Notes 4(a), 16 and 17 to the consolidated financial statements.

As at 31 December 2021, the Group had property, plant and equipment and right-of-use assets amounting to HK$132,237,000 and HK$11,810,000 respectively, which constituted a significant portion of total assets as at 31 December 2021. Property, plant and equipment and right-of-use assets are subject to impairment assessment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Management reviews the financial performance of manufacturing and sales of networking products at the end of each reporting period to identify if an impairment indicator exists.

Where indicators of impairment are identified, management identifies the relevant cash-generating units ("CGU") to which these property, plant and equipment and right-of-use assets belong and estimates the recoverable amounts of these CGUs based on the fair value less costs of disposal and value in use calculation, whichever is higher. Based on the results of the assessments conducted, management determined that no provision for impairment on the Group's property, plant and equipment and right-of-use assets was necessary during the year ended 31 December 2021.

Our audit procedures in relation to management's impairment assessment of property, plant and equipment and right-of-use assets as at 31 December 2021 included:

- Evaluating of the independent valuer's competence, capabilities and objectively;
- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts;
- Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and
- Checking, on a sample basis, the accuracy and relevance of the input data used.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment and right-of-use assets *(Continued)*	
We focused on this area due to the magnitude of the carrying values of property, plant and equipment and right-of-use assets and the significance of management's judgments adopted in the key assumptions used in the impairment assessment, such as annual revenue growth rate and discount rate.	We found the key assumptions used by management in the impairment assessment of property, plant and equipment and right-of-use assets to be supportable by available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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.

AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 28 April 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
Revenue	7	**621,094**	607,708
Cost of sales		**(558,198)**	(515,218)
Gross profit		**62,896**	92,490
Other income	8	**4,011**	13,853
Changes in fair value of financial assets at fair value through profit or loss		**252**	226
Realised fair value loss of financial assets at fair value through profit or loss		**–**	(143)
Net allowance for expected credit losses in respect of trade receivables, deposits and other receivables	10	**(10,716)**	(12,907)
Selling and distribution expenses		**(19,684)**	(22,887)
Administrative expenses		**(52,950)**	(45,664)
Research and development expenses		**(22,921)**	(27,904)
Loss from operations		**(39,112)**	(2,936)
Finance costs	9	**(2,979)**	(3,530)
Loss before taxation	10	**(42,091)**	(6,466)
Taxation	11	**(503)**	(1,729)
Loss for the year		**(42,594)**	(8,195)
Other comprehensive income for the year, net of tax			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of properties		**3,504**	3,062
Deferred tax liabilities arising from revaluation of properties		**(672)**	(741)
		2,832	2,321
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translating of foreign operations		**13,507**	4,525
Other comprehensive income for the year, net of tax		**16,339**	6,846
Total comprehensive loss for the year, net of tax		**(26,255)**	(1,349)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(47,333)**	(10,594)
Non-controlling interests		**4,739**	2,399
		(42,594)	(8,195)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(30,994)**	(3,996)
Non-controlling interests		**4,739**	2,647
		(26,255)	(1,349)
Loss per share attributable to owners of the Company			
Basic and diluted (HK cents)	15	**(7.17)**	(1.61)

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
Non-current assets			
Property, plant and equipment	16	**132,237**	136,526
Right-of-use assets	17	**11,810**	22,381
Financial assets at fair value through profit or loss	18	**11,688**	11,412
		155,735	170,319
Current assets			
Inventories	19	**179,516**	186,870
Trade and bills receivables	20	**46,686**	60,029
Prepayments, deposits and other receivables	21	**46,035**	42,961
Amount due from a director	22	**–**	1,712
Tax recoverables		**–**	897
Pledged bank deposits	23	**25,261**	25,463
Cash and bank balances	23	**22,386**	9,452
		319,884	327,384
Current liabilities			
Trade and bills payables	24	**160,694**	186,148
Accruals, deposits received and other payables	25	**29,198**	22,239
Contract liabilities	26	**25,821**	18,216
Amount due to a director	22	**401**	–
Bank borrowings	27	**108,554**	83,457
Lease liabilities	28	**3,010**	11,211
Tax payables		**2,258**	827
		329,936	322,098
Net current (liabilities)/assets		**(10,052)**	5,286
Total assets less current liabilities		**145,683**	175,605

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	28	**569**	4,903
Deferred tax liabilities	29	**5,281**	4,614
		5,850	9,517
Net assets		**139,833**	166,088
Capital and reserves			
Share capital	30	**6,600**	6,600
Reserves		**116,821**	147,815
Total equity attributable to owners of the Company		**123,421**	154,415
Non-controlling interests		**16,412**	11,673
Total equity		**139,833**	166,088

Approved and authorised for issue by the board of directors on 28 April 2022 and signed on its behalf by:

Koo Ja Chun
Executive Director

Kim Jun Yeob
Executive Director

The accompanying notes form in 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 HK$'000	**Share premium** HK$'000 (Note a)	**Other reserve** HK$'000 (Note b)	**Surplus reserve** HK$'000 (Note c)	**Exchange reserve** HK$'000 (Note d)	**Revaluation surplus reserve** HK$'000 (Note e)	**Retained earnings/ (accumulated losses)** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2020	6,600	58,924	39,551	4,325	(6,381)	23,900	31,492	158,411	9,026	167,437
(Loss)/profit for the year	–	–	–	–	–	–	(10,594)	(10,594)	2,399	(8,195)
Other comprehensive income for the year	–	–	–	–	4,277	2,321	–	6,598	248	6,846
(Loss)/profit and total comprehensive loss for the year	–	–	–	–	4,277	2,321	(10,594)	(3,996)	2,647	(1,349)
Transfer to surplus reserve	–	–	–	1,548	–	–	(1,548)	–	–	–
At 31 December 2020 and 1 January 2021	6,600	58,924	39,551	5,873	(2,104)	26,221	19,350	154,415	11,673	166,088
(Loss)/profit for the year	–	–	–	–	–	–	(47,333)	(47,333)	4,739	(42,594)
Other comprehensive income for the year	–	–	–	–	13,507	2,832	–	16,339	–	16,339
(Loss)/profit and total comprehensive loss for the year	–	–	–	–	13,507	2,832	(47,333)	(30,994)	4,739	(26,255)
Transfer to surplus reserve	–	–	–	49	–	–	(49)	–	–	–
At 31 December 2021	**6,600**	**58,924**	**39,551**	**5,922**	**11,403**	**29,053**	**(28,032)**	**123,421**	**16,412**	**139,833**

Notes:

(a) Share premium represented the excess of share issue over the par value.

(b) Other reserve represented the difference between the Group's share of nominal values of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon Reorganisation.

On 20 March 2019, the Group deemed disposal 27.63% equity interests of Zioncom Vietnam, an indirect wholly owned subsidiary of the Company, by way of increasing the registered capital of Zioncom Vietnam from US$5,500,000 to US$7,600,000. The non-controlling interests of Zioncom Vietnam agreed to pay US$2,100,000 for the increase capital of Zioncom Vietnam. The Group recognised an increase in other reserve of approximately HK$7,559,000.

(c) Subsidiaries of the Company established in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.

(d) Exchange reserve comprised all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

(e) Revaluation surplus reserve represented the revaluation gains or losses arising on the Land and Building situated in the PRC, for such reclassifications, the cumulative increase in fair value at the date of reclassification in excess of any previous accumulative depreciation and impairment losses is included in the property revaluation reserve, and will be transferred to retained earnings upon the retirement or disposal of the relevant property.

The accompanying notes form 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
Operating activities		
Loss before taxation	**(42,091)**	(6,466)
Adjustments for:		
Investment income	**–**	(148)
Bank interest income	**(373)**	(292)
Written off of inventories	**658**	88
Finance costs	**2,979**	3,530
Loss on disposal of property, plant and equipment	**36**	50
Gain on lease modifications	**(270)**	–
Gain on termination of lease	**(34)**	–
Changes in fair value of financial assets at fair value through profit or loss	**(252)**	(226)
Realised fair value loss of financial assets at fair value through profit or loss	**–**	143
Depreciation of property, plant and equipment	**15,662**	15,366
Depreciation of right-of-use assets	**7,612**	8,404
Allowance for expected credit losses on trade receivables	**11,814**	23,622
Allowance for expected credit losses on deposits and other receivables	**78**	1
Reversal of allowance for expected credit losses on trade receivables	**(1,173)**	(10,531)
Reversal of allowance for expected credit losses on deposits and other receivables	**(3)**	(185)
Operating cash flows before movements in working capital	**(5,357)**	33,356
Decrease/(increase) in inventories	**12,778**	(15,041)
Decrease/(increase) in trade and bills receivables	**3,613**	(13,220)
Increase in prepayments, deposits and other receivables	**(1,508)**	(15)
Decrease in amount due from a director	**1,712**	341
(Decrease)/increase in trade and bills payables	**(29,459)**	3,178
Increase in accruals, deposits received and other payables	**6,951**	5,913
Increase/(decrease) in contract liabilities	**6,976**	(21,349)
Increase in amount due to a director	**401**	–
Decrease in amount due to a shareholder	**–**	(1,081)
Cash used in operating activities	**(3,893)**	(7,918)
Income tax refund/(paid)	**1,803**	(3,227)
Net cash used in operating activities	**(2,090)**	(11,145)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Investing activities		
Acquisition of property, plant and equipment	**(5,459)**	(10,951)
Proceeds from disposal of property, plant and equipment	**293**	505
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	5,692
Bank interest income received	**373**	292
Investment income	**–**	148
Withdrawal of pledged bank deposits	**57,685**	1,595
Placement of pledged bank deposits	**(56,778)**	–
Net cash used in investing activities	**(3,886)**	(2,719)
Financing activities		
Proceeds from bank borrowings	**163,171**	60,730
Repayment of bank borrowings	**(138,457)**	(51,015)
Repayment of lease liabilities	**(9,818)**	(9,650)
Interest paid	**(2,177)**	(2,435)
Net cash generated from/(used in) financing activities	**12,719**	(2,370)
Net increase/(decrease) in cash and cash equivalents	**6,743**	(16,234)
Cash and cash equivalents at the beginning of the year	**9,452**	25,925
Effect of foreign exchange rate changes	**6,191**	(239)
Cash and cash equivalents at the end of the year	**22,386**	9,452

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

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 January 2016. The registered office of the Company is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KYI-1108, Cayman Islands and the principal place of business of the Company is located in Office A, 9/F., Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories, Hong Kong.

The Company's ultimate holding company is Absolute Skill Holdings Limited ("Absolute Skill"), an investment holding company incorporated in Samoa with limited liability. Absolute Skill is wholly-owned by Ms. Sui Xiaohe, who is a director of Absolute Skill.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of networking products and non-networking products.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). The functional currency of the Company is HK$ and its principal subsidiaries are HK$ and U.S. dollars ("US$") and all values are rounded to the nearest thousands (HK$'000), unless otherwise stated.

2. APPLICATION OF NEW AND 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 HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

The applications 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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issued but not yet effective

HKFRS 17	Insurance Contracts and the related Amendments[1]
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[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Estimates[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and liabilities arising from a Single Transaction[1]
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 Combination[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 April 2021.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs, and Interpretations issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA"), and accounting principles generally accepted in Hong Kong. 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 GEM Listing Rules and the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments which are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

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.

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Going concern basis

During the year ended 31 December 2021, the Group incurred a loss of approximately HK$42,594,000 and, as of that date, the Group had net current liabilities of approximately HK$10,052,000.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

1. The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares to improve the liquidity of the Group. On 28 February 2022, the Company propose a rights issue to raise not more than of approximately HK$23,100,000 before related expenses. For details of the rights issue, please refer to the Company's announcement dated 28 February 2022.

2. The Group is taking measures to tighten costs control over expenses and seek new profitable contracts for electronic networking products.

3. The Group is actively negotiating with the banks for the extending of existing bank loans. Taking into account the Group's good track records and the security provided to the banks, the directors believe that the existing bank loans will be renewal or roll-over when their current terms expiry.

4. The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. Based on the cash flow projections, the Directors believe the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from the end of the reporting period.

In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous patterns at previous shareholders' meetings.

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 the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, 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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified accumulated impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value for the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree at the non-controlling interest’s proportionate share of the acquiree’s net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

Revenue and other income recognition

Under HKFRS 15, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue and other income recognition *(Continued)*

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 asset is the right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional.

It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue and other income recognition *(Continued)*

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

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

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

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue and other income recognition *(Continued)*

Output method *(Continued)*

The Group recognises revenue from the following major sources:

(i) Revenue from the sales of networking and non-networking products

The Group sells the networking and non-networking products directly to its customer and through consignment sales. For the sales of networking and non-networking products to the wholesale market, the Group considers the revenue is recognised when the control of the goods has transferred, being when the goods have been delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The customer has accepted the products and the performance obligation is satisfied at a point in time at which the products are delivered according to the term of sales contract. The normal credit term is 30 to 120 days upon delivery.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease

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

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

The Group as 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 standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of assets (i.e. those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to lease of office equipment that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive 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.

Except for leases of low value assets, 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.

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises lease liabilities measured 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee *(Continued)*

Lease liabilities (Continued)

The lease payments include:

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

After the date of initial application, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

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

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

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee *(Continued)*

Lease modifications

Except for Covid-19-related rent concession in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee *(Continued)*

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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 at 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences 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 except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statement, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense 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 dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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 includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributable to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

Borrowing costs

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

Retirement benefit costs

The Group's contributions to the defined contribution retirement benefit plans are charged to profit or loss in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax

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 difference 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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 investments and 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 realised, based on tax rates (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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax for the reporting period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. 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 stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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.

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

The property, plant and equipment are depreciated over their estimated useful lives on a straight-line basis. The principal annual rates used for depreciation are as follows:

Land and building	Over the leased term
Furniture, fixtures and office equipment	20% – 33⅓%
Machinery and equipment	10% – 33⅓%
Motor vehicles	15% – 20%
Leasehold improvement	10%

Impairment of assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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 the obligation, and a reliable estimate can be made of the amount of the obligation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the 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 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 (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

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

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and 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 effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial assets, 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. If, in subsequent reporting periods, 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 effective interest rate to the gross carrying amount of the financial asset.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and measurement of financial assets (Continued)

Amortised cost and effective interest rate *(Continued)*

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or at FVTOCI are measured at FVTPL. Specifically;

- Investments in equity instruments are classified at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria reclassified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. Fair value is determined in the manner described in Note 5.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Impairment under expected credit losses ("ECL") model

The Group recognises a loss allowances for ECL on financial assets which are subject to impairment assessment under HKFRS 9 (including trade and bills receivables, other receivables, deposits, amount due from a director, pledged bank deposits and cash and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed individually for significant balances or collectively using a provision matrix for the remaining balances with appropriate groupings based on shared credit risk characteristics of customers from the relevant operating segment.

For all other instruments, the Group measures the loss allowance equal to 12 months ECL, unless when 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Significant increase in credit risk *(Continued)*

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- 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).

The Group considers that default has occurred when the instrument 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.

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;

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice when appropriate. Any recoveries made are recognised in profit or loss.

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.

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Measurement and recognition of ECL *(Continued)*

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, deposits and other receivables where the corresponding adjustment is recognised through a loss allowance account.

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 instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities (including trade and bills payables, accruals, deposits received and other payables, amount due to a director, bank borrowings and lease liabilities) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Related parties transactions

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 of a parent of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties transactions *(Continued)*

(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 subsidiaries is related to the others);

(ii) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group 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. If the Group is itself such a plan, the sponsoring employees are also 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.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between the Group and a related party.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is 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 ongoing 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 following are the critical judgments and key sources of estimation uncertainty, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation 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 value 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 cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect its recoverable amount in the impairment test.

As at 31 December 2021, the carrying amounts of property, plant and equipment and right-of-use assets are HK$132,237,000 and HK$11,810,000 (2020: HK$136,526,000 and HK$22,381,000). No impairment losses were recognised during the years ended 31 December 2021 and 2020. Details are disclosed in Notes 16 and 17.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Provision of ECL for trade receivables, deposits and other receivables

Financial assets at amortised cost with significant balances and credit-impaired are assessed for ECL individually.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 5(b).

As at 31 December 2021, the carrying amounts of trade receivables, deposits and other receivables are approximately HK$46,658,000 and HK$6,953,000 respectively (net of allowance for expected credit losses of approximately HK$39,026,000 and HK$87,000 respectively).

As at 31 December 2020, the carrying amounts of trade receivables, deposits and other receivables are approximately HK$59,997,000 and HK$5,172,000 respectively (net of allowance for expected credit losses of approximately HK$29,911,000 and HK$12,000 respectively).

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, deposits and other receivables are disclosed in Notes 5, 20 and 21.

(c) Income taxes and deferred taxes

The Group is subject to income taxes in Hong Kong, the PRC, Taiwan, Vietnam and Malaysia. Significant judgement is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that we initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) Net realisable value of inventories

The Group recognises write-down on inventories based on an assessment of the net realisable value of inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

(e) Estimation of fair value of land and building

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates including:

- current prices in an active market for property of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those difference; and
- recent prices of similar property in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those price; and
- reference to independent valuation.

The Group uses assumptions that are mainly based on market conditions existing at the end of each of the year.

The principal assumption underlying management's estimation of fair value is related to the estimated amount for which the properties should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and without compulsion.

The Company assesses the fair value of land and building based on valuation determined by qualified independent professional valuers. Details of the valuation method, key assumptions and inputs used are disclosed in Note 16.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
At amortised cost		
– Trade and bills receivables	**46,686**	60,029
– Deposits and other receivables	**6,953**	5,172
– Amount due from a director	**–**	1,712
– Pledged bank deposits	**25,261**	25,463
– Cash and bank balances	**22,386**	9,452
	101,286	101,828
At fair value		
– Financial assets at fair value through profit or loss	**11,688**	11,412

	2021 HK$'000	2020 HK$'000
Financial liabilities		
At amortised cost		
– Trade and bills payables	**160,694**	186,148
– Accruals, deposits received and other payables	**29,198**	22,239
– Amount due to a director	**401**	–
– Bank borrowings	**108,554**	83,457
– Lease liabilities	**3,579**	16,114
	302,426	307,958

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management

The directors monitor and manage the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include credit risk, market risk (including interest rate risk and foreign currency risk) and liquidity risk.

The Group's major financial instruments include, trade and bills receivables, deposits and other receivables, amount due from a director, pledged bank deposits, cash and bank balances, trade and bills payables, accruals, deposits received and other payables, amount due to a director, bank borrowings and lease liabilities. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risks and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and bills receivables, deposits and other receivables, amount due from a director, pledged bank deposit and cash and bank balances. At 31 December 2021, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables, deposits and other receivables

Credit evaluations are performed on all customers requiring credit terms. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as to the economic environment.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Credit risks and impairment assessment *(Continued)*

Trade receivables, deposits and other receivables (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arises when the Group has significant exposure to individual customers. The Group has concentration of credit risk as nil (2020: nil) and 23.1% (2020: 66.8%) of the total trade receivables due from the Group's largest customer and the five largest customers respectively. The Group generally allows an average credit period of 30 to 120 days to its customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. As at 31 December 2021 and 2020, the Group does not provide any guarantees which would expose the Group to credit risk.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group applies simplified approach on trade receivables to provide for the ECL prescribed by HKFRS 9. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Credit risks and impairment assessment *(Continued)*

Trade receivables, deposits and other receivables (Continued)

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 2020:

	Expected loss rate	Gross carrying amount	Allowance for expected credit loss	Net carrying amount
	%	HK$'000	HK$'000	HK$'000
At 31 December 2021				
Collective assessment				
Current (not past due)	0.40	18,166	(73)	18,093
1 – 90 days past due	0.44	16,038	(70)	15,968
91 – 180 days past due	0.78	893	(7)	886
More than 180 days past due	50.00	1,092	(546)	546
Individual assessment	77.44	49,495	(38,330)	11,165
		85,684	(39,026)	46,658

	Expected loss rate	Gross carrying amount	Allowance for expected credit loss	Net carrying amount
	%	HK$'000	HK$'000	HK$'000
At 31 December 2020				
Collective assessment				
Current (not past due)	2.50	23,223	(581)	22,642
1 – 90 days past due	5.76	8,592	(495)	8,097
91 – 180 days past due	8.86	1,626	(144)	1,482
More than 180 days past due	21.89	763	(167)	596
Individual assessment	51.21	55,704	(28,524)	27,180
		89,908	(29,911)	59,997

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Credit risks and impairment assessment *(Continued)*

Trade receivables, deposits and other receivables (Continued)

The closing loss allowances for including trade receivables, deposits and other receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	Trade receivables	Trade receivables	Deposits and other receivables	Total
	(Lifetime ECL non-credit impaired)	*(Lifetime ECL credit impaired)*	*(12 months ECL non-credit impaired)*	
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	(3,087)	(12,975)	(195)	(16,257)
Increase in loss allowance recognised in profit or loss during the year	(7,558)	(16,064)	(1)	(23,623)
Reversal of loss allowance recognised in profit or loss during the year	10,016	515	185	10,716
Exchange alignment	(758)	–	(1)	(759)
At 31 December 2020 and 1 January 2021	(1,387)	(28,524)	(12)	(29,923)
Increase in loss allowance recognised in profit or loss during the year	(472)	(11,342)	(78)	(11,892)
Reversal of loss allowance recognised in profit or loss during the year	1,173	–	3	1,176
Written off as uncollectible	–	2,031	–	2,031
Exchange alignment	(10)	(495)	–	(505)
At 31 December 2021	(696)	(38,330)	(87)	(39,113)

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

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

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Credit risks and impairment assessment *(Continued)*

Trade receivables, deposits and other receivables (Continued)

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables, deposits and other receivables are set out in Notes 20 and 21.

The management monitored the financial background and creditability of those debtors on an ongoing basis. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Bills receivables

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. The Group has assessed that the expected credit loss rate for these receivables are immaterial under 12 months expected credit losses method. Thus, no loss allowance for bills receivables was recognised as at 31 December 2021 and 2020.

Amount due from a director

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

As at 31 December 2020, the internal credit rating of amount due from a director were performing. The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected credit losses method. Thus no loss allowance for amount due from a director was recognised.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Credit risks and impairment assessment *(Continued)*

Deposits with bank

In respect to the Group's deposit with bank, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations. Management will continues to monitor the position and will take appropriate action if their ratings are changed. As at 31 December 2021 and 2020, the Group has no significant concentration of credit risk in relation to deposit with bank.

In these regards, other than the credit risks mentioned above, the management considers the Group does not have any other significant credit risk and the exposures to these credit risks are monitored on an ongoing basis.

Market risk

Foreign currency risk

The Group mainly operates in Hong Kong, the PRC and Vietnam, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("USD"), Renminbi ("RMB") and Vietnamese Dong ("VND"). Foreign exchange risk arises from commercial transactions, recognised assets and liabilities denominated in a currency that is not the functional currency of the Group and net investments in foreign operations.

The Group currently does not have a foreign currency hedging policy. However, the management has closely monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency risk should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000	**As at 31 December 2021 HK$'000**	As at 31 December 2020 HK$'000
USD	**159,986**	108,667	**38,416**	62,602
RMB	**116,552**	143,986	**63,414**	64,179
VND	**5,437**	10,313	**34,308**	26,550
	281,975	262,966	**136,138**	153,331

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Market risk *(Continued)*

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD, RMB and VND. The financial impact on exchange risk exposed to USD are considered to be insignificant, as HK$ is pegged to USD.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase or decrease in HK$ against RMB and VND. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year ended for a 5% (2020: 5%) change in foreign currency rates. A positive number below indicates an increase in the Group's pre-tax profit for the year where the foreign currencies strengthen 5% (2020: 5%) against the HK$. For a 5% (2020: 5%) weakening of the foreign currencies against the HK$, there would be an equal and opposite impact.

	Impacts on profit or loss	
	31 December 2021 HK$'000	31 December 2020 HK$'000
RMB	**(2,657)**	(3,898)
VND	**1,444**	812

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets, mainly the interest-bearing bank balances and bank borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Bank deposits and bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and borrowings where necessary.

Sensitivity analysis

Regarding the cash flow interest rate risk, the sensitivity analysis set out below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used represents management's assessment of the reasonably possible change in interest rates over the period.

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2021 would increase/decrease by approximately HK$86,000 (2020: approximately HK$399,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings.

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors current and expected liquidity requirements on a regular basis.

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

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Market risk *(Continued)*

Liquidity risk (Continued)

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. Specifically, bank borrowings with repayable on demand clause are included in "on demand or within one year" regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are prepared based on the agreed repayment dates. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Weighted average interest rate %	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2021						
Non-derivative financial liabilities						
Trade and bills payables	–	160,694	–	–	160,694	160,694
Accruals, deposits received and other payables	–	29,198	–	–	29,198	29,198
Amount due to a director	–	401	–	–	401	401
Bank borrowings	2.23	111,706	–	–	111,706	108,554
Lease liabilities	6.88	3,098	433	167	3,698	3,579
		305,097	433	167	305,697	302,426

	Weighted average interest rate %	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2020						
Non-derivative financial liabilities						
Trade and bills payables	–	186,148	–	–	186,148	186,148
Accruals, deposits received and other payables	–	22,239	–	–	22,239	22,239
Bank borrowings	2.73	84,898	–	–	84,898	83,457
Lease liabilities	6.40	11,841	4,693	307	16,841	16,114
		305,126	4,693	307	310,126	307,958

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management *(Continued)*

Market risk *(Continued)*

Liquidity risk (Continued)

The following table summaries the maturity analysis of bank borrowings with repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis – bank borrowings subject to a repayment on demand clause based on scheduled repayments		
	Within one year	**More than one year but less than two years**	**More than two years but less than five years**
	HK$'000	HK$'000	HK$'000
As at 31 December 2021	**110,822**	**884**	**–**
As at 31 December 2020	81,051	2,963	884

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively, and

(ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

5. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments *(Continued)*

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets are measured at fair value on a recurring basis.

Financial assets	Fair value as at 31 December 2021	Fair value as at 31 December 2020	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets at fair value through profit or loss					
– Club membership	HK$686,000	HK$618,000	Level 2	Market Approach	Market comparable ranges from HK$795,000 to HK$857,000 as at 31 December 2021 (2020: HK$543,000 to HK$702,000) and the individual factors considered are the second hand quotation price of golf club.
– Key management personnel life insurance policies	HK$11,002,000	HK$10,794,000	Level 3	N/A	Account cash values

Except as disclosed as above, the Directors consider the carrying amounts of financial assets recorded at amortised costs in the consolidated financial statements approximates to their fair values. During the reporting period, there were no transfer of fair value measurement between Level 1 and Level 2 into or out of Level 3.

5. FINANCIAL INSTRUMENTS *(Continued)*

(d) Capital risk management

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

The Directors review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and balance its overall capital structure through the payment of dividends and injection of capital.

The following is the gearing ratio at the end of each reporting period:

	2021 **HK$'000**	2020 HK$'000
Total borrowings (Note (a))	**112,534**	99,571
Total equity (Note (b))	**123,421**	154,415
Gearing ratio	**91.2%**	64.5%

Notes:

(a) Total borrowings represent bank borrowings, lease liabilities and amount due to a director as set out in Notes 22, 27 and 28.

(b) Total equity includes share capital and reserves attributable to owners of the Company at the end of the reporting period.

6. SEGMENT INFORMATION

During the years ended 31 December 2021 and 2020, the Group operates in one operating segment which is the manufacturing and sales of electronic networking products and processing services. A single management team reports to the Directors of the Group (being the chief operating decision-maker) who comprehensively manages the entire business. Accordingly, the Group does not present separately segment information.

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's revenue from external customers based on the locations of the customers is detailed as below:

	2021 HK$'000	2020 HK$'000
Korea	**385,507**	412,736
The People's Republic of China (the "PRC")	**27,888**	18,055
Vietnam	**31,726**	36,700
Other Asia (excluding Korea, the PRC and Vietnam)	**127,753**	102,513
Europe	**13,111**	6,718
South America	**22,683**	25,716
Africa	**11,775**	3,083
North America	**651**	2,187
	621,094	607,708

The following is an analysis of the carrying amount of non-current assets, excluding financial assets at fair value through profit or loss, analysed by the geographical areas in which the assets are located:

	2021 HK$'000	2020 HK$'000
Hong Kong	**445**	719
Mainland China	**84,887**	97,505
Vietnam	**57,800**	59,210
Others	**915**	1,473
	144,047	158,907

Information about major customer

Revenues from customer contributing over 10% of the total revenue of the Group during the reporting period is as follows:

	2021 HK$'000	2020 HK$'000
Customer A (note)	**337,376**	370,100

Note:

Revenue from manufacturing and trading of networking products including routers, switches and LAN cards.

7. REVENUE

Revenue represents the aggregate of the amounts received and receivable from third parties, income from provision of sales of networking products and non-networking products and processing services income. Revenue recognised during the years are as following:

(a) Disaggregation of revenue from contracts with customers

The Group revenue is disaggregated by the type of goods or services provided to customers, the geographical market, and the timing of goods and services transferred.

	2021 HK$'000	2020 HK$'000
Type of goods or service		
Goods transferred at a point in time		
Sales of router products	491,454	475,550
Sales of switch products	40,855	61,687
Sales of other networking products	62,307	46,219
Sales of non-networking products	26,054	24,252
Processing services income	424	–
Total revenue from contracts with customers	621,094	607,708

The Group operates in one operating segment for the manufacturing and sales of electronic networking products and processing services. For the revenue from contracts with customers with the amounts by geographical markets, please refer to note 6 for detail information.

(b) Performance obligations for contracts with customers

Details of performance obligations for contracts with customers for the years ended 31 December 2021 and 2020 are set out in the consolidated financial statements.

(c) Transaction price allocated to the remaining performance obligation for contracts with customers

All revenue from sales of networking products and non-networking products and processing services income are for the periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

8. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Government grants (note)	**3,115**	3,211
Bank interest income	**373**	292
Exchange gain	**–**	9,829
Investment income	**–**	148
Gain on lease modifications	**270**	–
Gain on lease termination	**34**	–
Sundry income	**219**	373
	4,011	13,853

Note:

During the year ended 31 December 2021, the Group recognised government grants of approximately HK$nil (2020: HK$68,000) in respect of COVID-19-related subsidies which is related to Employment Support Scheme provided by the Hong Kong Government. Besides, various government grants have been received mainly from Ministry of Science and Technology of the PRC, Ministry of Finance and State Administration of Taxation for the Group's business conducted in the PRC. There are no unfulfilled conditions or contingencies related to these grants.

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**2,492**	2,534
Interest expenses on lease liabilities	**487**	996
	2,979	3,530

10. LOSS BEFORE TAXATION

	Notes	2021 HK$'000	2020 HK$'000
Loss before taxation has been arrived at after charging/(crediting):			
Directors' emoluments	12	**6,625**	6,430
Other staff costs:			
Salaries and other benefits		**78,157**	79,047
Bonuses		**1,609**	1,108
Retirement scheme contributions		**6,797**	5,562
		86,563	85,717
Auditors' remuneration			
– audit services		**1,278**	1,294
Written off of inventories		**658**	88
Depreciation of right-of-use assets	17	**7,612**	8,404
Depreciation of property, plant and equipment			
– selling and distribution expenses		**10**	283
– administrative expenses		**3,200**	5,224
– cost of sales		**9,942**	7,059
– research and development expenses		**2,510**	2,800
	16	**15,662**	15,366
Cost of inventories recognised as an expenses		**368,498**	411,420
Changes in fair value of financial assets at fair value through profit or loss		**(252)**	(226)
Realised fair value loss of financial assets at fair value through profit or loss		**–**	143
Loss on disposal of property, plant and equipment		**36**	50
Exchange loss/(gain)		**7,812**	(9,829)
Expenses relating to short-term leases		**997**	322
Net allowances for expected credit losses on trade receivables, deposits and other receivables			
– Allowance for expected credit losses on trade receivables		**11,814**	23,622
– Allowance for expected credit losses on deposits and other receivables		**78**	1
– Reversal of allowance for expected credit losses on trade receivables		**(1,173)**	(10,531)
– Reversal of allowance for expected credit losses on deposits and other receivables		**(3)**	(185)
		10,716	12,907

11. TAXATION

	2021 HK$'000	2020 HK$'000
Current taxation:		
Over-provision for prior year		
– Other than Hong Kong	**(1,799)**	–
Provision for the year		
– Other than Hong Kong	**2,307**	1,775
	508	1,775
Deferred taxation:		
Credit for the year (Note 29)	**(5)**	(46)
	503	1,729

No provision of Hong Kong profits tax has been made as the Group had no assessable profits for the years ended 31 December 2021 and 2020.

吉翁電子(深圳)有限公司 is a qualified High and New Technology Enterprise defined by Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality and Shenzhen Municipal office of the State Administration of Taxation and therefore was entitled to 15% preferential tax rate from PRC enterprise income tax. The PRC enterprise income tax is calculated at 15% preferential tax rate on the estimated assessable profit for the years ended 31 December 2021 and 2020.

11. TAXATION *(Continued)*

Taiwan Corporate Income Tax is calculated at 20% on the estimated assessable profit for the years ended 31 December 2021 and 2020.

Vietnam Corporate Income Tax is calculated at 20% of the estimated assessable profit. In accordance with the Law of Corporate Income Tax that profits earned by enterprises that carry out new investment projects in industrial zones, Zioncom Vietnam is entitled to an exemption from Corporate Income Tax for the first two years in which a taxable profit is earned and 50% tax reduction for the following four years. No provision of profits tax for the subsidiary in Vietnam for the years ended 31 December 2021 and 2020.

Malaysia Corporate Income Tax is calculated at 17% on the first MYD600,000 and 24% for remaining estimated assessable profit for the years ended 31 December 2021 and 2020. No provision of corporate income tax for the subsidiary in Malaysia has been recognised as no assessable profit for the years ended 31 December 2021 and 2020.

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during the years ended 31 December 2021 and 2020.

The taxation charge for the years ended 31 December 2021 and 2020 can be reconciled to the loss before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	2021	2020
	HK$'000	HK$'000
Loss before taxation	**(42,091)**	(6,466)
Tax calculated at the rates applicable to profits in the jurisdiction concerned	**(5,732)**	(968)
Tax effect of expenses not deductible for tax purpose	**3,132**	3,057
Tax effect of income not taxable for tax purpose	**(616)**	(597)
Over-provision in prior years	**(1,799)**	–
Tax effect of deductible temporary differences not recognised	**19**	(24)
Tax effect of utilised tax losses	**–**	(896)
Tax effect of unused tax losses not recognised	**7,480**	2,664
Tax effect of tax exemption granted	**(1,981)**	(1,507)
	503	1,729

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors for the years ended 31 December 2021 and 2020 as follow:

	Year ended 31 December 2021			
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Kim Byung Kwon (note (i))	–	1,519	26	1,545
Mr. Kim Jun Yeob	–	1,490	17	1,507
Mr. Koo Ja Chun	–	1,490	17	1,507
Mr. Xiao Jingen	–	1,446	9	1,455
Mr. Zhao Xiuming (note (ii))	–	240	–	240
Independent Non-Executive Directors				
Mr. Shin Dongmin (note (iii))	44	–	–	44
Mr. Kwong Chun Man (note (iv))	144	–	–	144
Mr. Lee Tsung Wah, Jonathan (note (vi))	105	–	–	105
Ms. Cai Peiyao (notes (ii) and (v))	39	–	–	39
Mr. Tsang Chung Yu (note (v))	39	–	–	39
	371	6,185	69	6,625

	Year ended 31 December 2020			
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Kim Byung Kwon (note (i))	–	1,447	49	1,496
Mr. Kim Jun Yeob	–	1,423	41	1,464
Mr. Koo Ja Chun	–	1,423	41	1,464
Mr. Xiao Jingen	–	1,385	45	1,430
Mr. Zhao Xiuming (note (ii))	–	240	–	240
Independent Non-Executive Directors				
Mr. Shin Dongmin (note (iii))	84	–	–	84
Mr. Kwong Chun Man (note (iv))	144	–	–	144
Mr. Lee Tsung Wah, Jonathan (note (vi))	108	–	–	108
	336	5,918	176	6,430

12. DIRECTORS' EMOLUMENTS *(Continued)*

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

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company during the reporting period. No directors waived or agreed to waive any emoluments during the reporting period.

Notes:

(i) Mr. Kim Byung Kwon, was resigned as executive director of the Company on 14 January 2022.

(ii) Mr. Zhao Xiuming and Ms. Cai Peiyao were removed as executive director and independent non-executive director respectively on 31 March 2022.

(iii) Mr. Shin Dongmin was resigned as independent non-executive director of the Company on 9 July 2021.

(iv) Mr. Kwong Chun Man was resigned on independent non-executive director of the Company on 14 January 2022.

(v) Mr. Tsang Chung Yu and Ms. Cai Peiyao was appointed as independent non-executive director of the Company on 24 September 2021.

(vi) Mr. Lee Tsung Wah, Jonathan was appointed as independent non-executive director of the Company on 31 March 2020 and resigned on 24 September 2021.

13. EMPLOYEES EMOLUMENTS AND SENIOR MANAGEMENT EMOLUMENTS

The five highest paid individuals included 4 and 4 executive directors of the Company for the years ended 31 December 2021 and 2020 respectively, details of whose emoluments are set out above in Note 12. The emoluments of the remaining individual for the years ended 31 December 2021 and 2020 is 1 and 1 respectively and individuals disclosed are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and other benefits	**715**	697
Retirement schemes contributions	**20**	18
	735	715

13. EMPLOYEES EMOLUMENTS AND SENIOR MANAGEMENT EMOLUMENTS
(Continued)

The number of non-director highest paid employees whose emoluments fell within the following bands is as follows:

	2021	2020
Nil to HK$1,000,000	–	1

The number of the senior management (excluding directors) whose emoluments fell within the following bands is as follows:

	2021	2020
Nil to HK$1,000,000	1	–

During the reporting period, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the reporting period.

14. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

15. LOSS PER SHARE

	2021 HK$'000	2020 HK$'000
Loss for the year attributable to owners of the Company	(47,333)	(10,594)
	'000	'000
Weighted average number of ordinary shares in issue	660,000	660,000

The calculation of basic loss per share for the years ended 31 December 2021 and 2020 are calculated by dividing the loss for the year attributable to the owners of the Company over the weighted average number of ordinary shares in issue during the year.

Diluted loss per share was same as the basic loss per share as there were no potential dilutive ordinary shares exist during the years ended 31 December 2021 and 2020.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Machinery and equipment	Motor vehicles	Construction-in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
At 1 January 2020	73,467	2,007	25,837	93,328	3,968	924	199,531
Additions	–	67	972	7,897	2,015	–	10,951
Transfer from construction in-progress	–	–	–	868	–	(868)	–
Surplus on revaluation	3,062	–	–	–	–	–	3,062
Write back on revaluation	(4,182)	–	–	–	–	–	(4,182)
Disposals	–	–	–	(16)	(1,063)	–	(1,079)
Exchange alignment	3,546	99	1,745	4,997	161	(11)	10,537
At 31 December 2020 and 1 January 2021	75,893	2,173	28,554	107,074	5,081	45	218,820
Additions	–	101	327	1,903	–	3,128	5,459
Transfer from right-of-use assets (Note 17)	–	–	–	–	393	–	393
Surplus on revaluation	3,504	–	–	–	–	–	3,504
Write back on revaluation	(4,638)	–	–	–	–	–	(4,638)
Disposals	–	–	(273)	(771)	–	–	(1,044)
Exchange alignment	1,573	49	870	2,193	56	–	4,741
At 31 December 2021	**76,332**	**2,323**	**29,478**	**110,399**	**5,530**	**3,173**	**227,235**
Accumulated depreciation							
At 1 January 2020	–	728	20,758	44,278	1,450	–	67,214
Charge for the year	4,182	273	1,056	9,297	558	–	15,366
Write back on revaluation	(4,182)	–	–	–	–	–	(4,182)
Disposals	–	–	–	(14)	(510)	–	(524)
Exchange alignment	–	37	1,420	2,900	63	–	4,420
At 31 December 2020 and 1 January 2021	–	1,038	23,234	56,461	1,561	–	82,294
Charge for the year	4,638	116	1,009	9,119	780	–	15,662
Transfer from right-of-use assets (Note 17)	–	–	–	–	261	–	261
Write back on revaluation	(4,638)	–	–	–	–	–	(4,638)
Disposals	–	–	(187)	(528)	–	–	(715)
Exchange alignment	–	19	709	1,373	33	–	2,134
At 31 December 2021	–	**1,173**	**24,765**	**66,425**	**2,635**	**–**	**94,998**
Carrying amounts							
As at 31 December 2021	**76,332**	**1,150**	**4,713**	**43,974**	**2,895**	**3,173**	**132,237**
As at 31 December 2020	75,893	1,135	5,320	50,613	3,520	45	136,526

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Assets pledged as security

As at 31 December 2021 and 2020, the land and buildings with carrying amount of approximately HK$76,332,000 and HK$75,893,000 have been pledged to secure bank borrowings (Note 27) granted to the Group respectively.

As at 31 December 2021 and 2020 the machinery and equipment with carrying amount of approximately HK$18,790,000 and HK$21,488,000 have been pledged to secure bank borrowings (Note 27) granted to the Group respectively.

As at 31 December 2021 and 2020, the Group's land and buildings in the PRC and Vietnam were revalued based on valuations performed by Roma Valuation Limited, independent professional qualified valuers, approximately at HK$76,332,000 and HK$75,893,000 respectively. Revaluation surplus, net aggregate amount of deferred tax approximately of HK$2,832,000 and HK$2,321,000 resulting from the above revaluation were credited to the revaluation surplus reserve during the years ended 31 December 2021 and 2020 respectively.

The fair values of the Group's land and buildings at 31 December 2021 and 2020 are estimated by using significant unobservable inputs and the fair value measurement is categorised under Level 3.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurement categorised within Level 3 of the fair value hierarchy:

	2021 HK$'000	2020 HK$'000
At 1 January	75,893	73,467
Depreciation	(4,638)	(4,182)
Surplus on revaluation	3,504	3,062
Exchange alignment	1,573	3,546
At 31 December	76,332	75,893

Below is a summary of the valuation technique used and the key input to the valuation of property:

Class of property	Fair value class of hierarchy	Significant valuation technique	Valuation unobservable input	Range of unobservable input 31 December 2021	Range of unobservable input 31 December 2020
The land and building held in the PRC	Level 3	Market comparable method	Saleable unit rate per square foot which compare with similar location and other factor such as floor level, building age, size and conditions of the properties*	HK$51,700 to HK$59,740	HK$47,748 to HK$57,988
The land and building held in Vietnam	Level 3	Depreciation replacement cost method	An estimate of the market value for existing use of land, plus the current cost of replacement of existing structures less deduction of physical deterioration and all relevant forms at obsolescence and optimization	N/A	N/A

* The higher of saleable unit rate per square foot, the higher the fair value.

17. RIGHT-OF-USE ASSETS

	Land use rights HK$'000	Office premises HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 January 2020	9,107	21,060	963	31,130
Addition	–	6,287	477	6,764
Exchange alignment	124	1,581	44	1,749
As at 31 December 2020 and 1 January 2021	9,231	28,928	1,484	39,643
Addition	–	470	170	640
Modification	–	(180)	–	(180)
Transfer to property, plant and equipment (Note 16)	–	–	(393)	(393)
Termination	–	(4,015)	–	(4,015)
Exchange alignment	–	767	11	778
As at 31 December 2021	**9,231**	**25,970**	**1,272**	**36,473**
Accumulated depreciation				
At 1 January 2020	774	7,001	237	8,012
Charge for the year	216	7,980	208	8,404
Exchange alignment	17	818	11	846
As at 31 December 2020 and 1 January 2021	1,007	15,799	456	17,262
Charge for the year	220	7,194	198	7,612
Transfer to property, plant and equipment (Note 16)	–	–	(261)	(261)
Termination	–	(482)	–	(482)
Exchange alignment	–	529	3	532
As at 31 December 2021	**1,227**	**23,040**	**396**	**24,663**
Carrying amounts				
At 31 December 2021	**8,004**	**2,930**	**876**	**11,810**
At 31 December 2020	8,224	13,129	1,028	22,381

Notes:

(a) The Group does not have the option to purchase the right-of-use assets for a nominal amount at the end of the lease terms.

(b) As at 31 December 2021, the land use rights and motor vehicles with carrying amount of approximately HK$8,004,000 and HK$511,000 (2020: HK$8,224,000 and HK$620,000) have been pledged to secure bank borrowings (Note 27) granted to the Group.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Key management personnel life insurance policies (note (a))	11,002	10,794
Club membership (note (b))	686	618
	11,688	11,412

Notes:

(a) On 19 March 2010 and 20 September 2012, the Group entered into key management personnel life insurance policies (the "Policies") with an insurance company to insure the Directors, Mr. Kim Byung Kwon, Mr. Kim Jun Yeob, Mr. Koo Ja Chun, Mr. Lee Man Kyu and Mr. Xiao Jingen. Under the policies, the beneficiary and policy holder is the Company and the total insured sum is USD4,500,000 (equivalent to approximately HK$34,875,000). The Company is required to pay an upfront deposit of USD1,437,912 (equivalent to approximately HK$11,144,000) at the inception of the Policies. The Company can terminate the Policies at any time and receive cash back based on the cash value of the Policies at the date of withdrawal, which is determined by the upfront payments plus accumulated interest earned and minus the accumulated insurance charge and policy expenses charge. On 3 November 2016, an insurance premium balance in relation to Mr. Lee Man Kyu, a former director, has been refunded and the total insured sum reduced to USD3,750,000 (equivalent to approximately HK$29,063,000).

The carrying amounts of the key management personnel life insurance policies approximated to its fair value as at 31 December 2021 and 2020. Any subsequent change in the fair value will be recognised through profit or loss. The entire amount of the rights under the payment for life insurance policies is denominated in United States Dollar.

On 12 January 2022, the subsidiary of the Group, as the Policies holder, it exercised the withdrawal option to terminate the Policies and received the cash back based on the cash value of the Policies at the date of withdrawal. The Group received the net proceed of approximately HK$3,367,000 after deduction the surrender charges and set off the relevant outstanding secured borrowings. The transaction was completed on 11 February 2022.

(b) The club membership represents the indefinite useful life golf club membership. As at 31 December 2021 and 2020, the fair value of the club membership is arrived on the basis of a valuation carried out by an independent professional valuer.

19. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	90,045	75,664
Work in progress	27,087	13,279
Finished goods	62,384	97,927
	179,516	186,870

As at 31 December 2021, the inventories with carrying amount of approximately HK$27,200,000 (2020: HK$29,260,000) have been pledged to secure bank borrowings (Note 27) granted to the Group.

20. TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	85,684	89,908
Less: Allowance for expected credit losses	(39,026)	(29,911)
	46,658	59,997
Bills receivables	28	32
	46,686	60,029

As at 31 December 2021 and 2020, trade receivables (net of allowance for expected credit losses) from contracts with customers amounted to approximately HK$46,658,000 and approximately HK$59,997,000 respectively.

The following is an ageing analysis of trade receivables (net of allowance for expected credit losses) presented based on the invoice date at the end of the reporting periods:

	2021 HK$'000	2020 HK$'000
Within 30 days	18,071	23,649
31 to 60 days	9,783	7,383
61 to 90 days	7,635	5,358
91 to 180 days	9,595	9,993
Over 180 days	1,574	13,614
	46,658	59,997

20. TRADE AND BILLS RECEIVABLES *(Continued)*

The Group generally allows an average credit period range from 30 to 120 days to its customers.

Allowance for expected credit losses of HK$39,026,000 have been recognised for trade receivables as at 31 December 2021 (2020: HK$29,911,000).

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the customers from the date that credit was initially granted up to the end of each reporting period. The management also considers the forward-looking information and any change in the expected recovery of the trade receivables.

Details of assessment for expected credit losses of trade receivables for the years ended 31 December 2021 and 2020 are set out in Note 5(b).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 **HK$'000**	2020 HK$'000
Deposits and prepayments (note)	**29,609**	26,589
Other receivables	**4,358**	1,770
Value-added tax receivables	**12,155**	14,614
	46,122	42,973
Less: Allowance for expected credit losses	**(87)**	(12)
	46,035	42,961

Note:

As at 31 December 2021, the amount included prepayment to suppliers approximately HK$23,302,000 (2020: HK$19,216,000)

Details of assessment for expected credit loss of deposit and other receivables for the years ended 31 December 2021 and 2020 are set out in Note 5(b).

22. AMOUNT DUE FROM/(TO) A DIRECTOR

	Maximum balance outstanding during the year ended HK$'000	2021 HK$'000	2020 HK$'000
Name of director			
Mr. Kim Jun Yeob	1,712	**(401)**	1,712

The amount due from/(to) a director is non-trade, unsecured, interest-free and recoverable/(repayable) on demand.

Details of assessment for expected credit loss of amount due from a director for the year ended 31 December 2020 are set out in Note 5(b).

23. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

	2021 HK$'000	2020 HK$'000
Pledged bank deposits	**25,261**	25,463
Cash and bank balances	**22,386**	9,452
	47,647	34,915

Pledge bank deposits and cash and bank balances are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	**40**	50
USD	**16,419**	3,139
RMB	**24,892**	26,161
VND	**4,775**	3,944
Taiwan Dollars ("NT$")	**1,337**	498
Malaysian Ringgit ("MYR")	**182**	1,121
Philippine Piso ("PHP")	**2**	2
	47,647	34,915

23. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES *(Continued)*

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. For the Group's cash and cash equivalents denominated in RMB located in Hong Kong are not subject to the foreign exchange control.

Bank balances earn interests at floating rate based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default.

As at 31 December 2021 and 2020, bank deposits of the Group of approximately HK$25,261,000 and HK$25,463,000 are pledged as collateral for bank facilities (Note 27).

The amount comprise bank balances held by the Group and pledged bank deposit bearing market interest rates 0.01% to 1.5% (2020: 0.01% to 1.5%) per annum. The fair value of these assets approximates to the corresponding carrying amounts.

24. TRADE AND BILLS PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**113,572**	138,621
Bills payables	**47,122**	47,527
	160,694	186,148

The average credit period from suppliers is up to 30 to 120 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Within 30 days	**57,338**	67,791
31 to 60 days	**18,415**	30,744
61 to 90 days	**13,517**	17,698
91 to 180 days	**21,795**	21,117
Over 180 days	**2,507**	1,271
	113,572	138,621

All bills payables at the end of the reporting periods are not yet due.

25. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Accruals	9,518	8,375
Deposits received	15,289	8,509
Other payables	4,391	5,355
	29,198	22,239

26. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Receipts in advance from customers in relation to sales of router products (note)	25,821	18,216

Reconciliation of contract liabilities for the years ended 31 December 2021 and 2020:

	HK$'000
At 1 January 2020	39,565
Receipt in advance from customers during the year	348,751
Revenue recognised during the year that was included in the contract liabilities at the beginning of the period	(39,565)
Revenue recognised upon the product sales during the year	(330,535)
At 31 December 2020 and 1 January 2021	18,216
Receipt in advance from customers during the year	344,981
Revenue recognised during the year that was included in the contract liabilities at the beginning of the period	(18,216)
Revenue recognised upon the product sales during the year	(319,160)
At 31 December 2021	25,821

Note:

When the Group receives a deposit before delivery of router products, this will give rise to contract liabilities at the beginning of revenue contract, until the revenue recognised on the relevant contract exceed the amount of the deposit.

27. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank loans:		
Secured fixed rate borrowings (note (a) and (b))	**91,317**	3,713
Secured floating rate borrowings (note (a) and (b))	**17,237**	79,744
	108,554	83,457
Secured term loan from bank that repayable within the period of:		
– less than 1 year	**107,681**	79,716
– more than 1 year but within 2 years	**873**	2,868
– more than 2 years but within 5 years	**–**	873
Secured term loan	**108,554**	83,457
Less: Amount classified as current liabilities		
Secured term loan due within one year or contain a repayment on demand clause	**(108,554)**	(83,457)
Amount classified as non-current liabilities	**–**	–

Notes:

(a) The bank borrowings of the Group as at 31 December 2021 and 2020 respectively were secured by:

(i) corporate guarantee provided by the Company for the years ended 31 December 2021 and 2020;

(ii) pledged bank deposits with carrying amounts of approximately HK$25,261,000 and HK$25,463,000 as at 31 December 2021 and 2020 respectively;

(iii) pledge of the financial assets at fair value through profit or loss (key management personnel life insurance policies) with carrying amounts of approximately HK$11,002,000 and HK$10,794,000 as at 31 December 2021 and 2020 respectively;

(iv) pledge of the Group's machinery and equipment with carrying amounts of approximately HK$18,790,000 and HK$21,488,000 as at 31 December 2021 and 2020 respectively;

(v) pledge of the Group's right-of-use assets with carrying amounts of approximately HK$8,515,000 and HK$8,844,000 as at 31 December 2021 and 2020 respectively;

(vi) pledge of the Group's inventories with carrying amounts of approximately HK$27,200,000 and HK$29,260,000 as at 31 December 2021 and 2020 respectively; and

(vii) pledge of the Group's land and buildings with carrying amounts of approximately HK$76,332,000 and HK$75,893,000 as at 31 December 2021 and 2020 respectively.

(b) The bank borrowings of the Group with financial institutions amounted to approximately HK$108,554,000 and HK$83,457,000 respectively, carried interest ranging from 1.60% to 5.65% and 1.60% to 5.65% per annum for the years ended 31 December 2021 and 2020 respectively.

(c) Subsequent to the end of the reporting period, the Group have early repaid a bank borrowings with carrying amount of approximately HK$4,001,000 to one of lenders on 11 January 2022. Furthermore, another bank borrowings with amount of approximately HK$6,445,000 are settled by set off against the account value, net of surrender charges, by terminated of the life insurance policies held by the Group. For the detail information, please refer to note 40.

28. LEASE LIABILITIES

The Group lease certain of its right-of-use assets.

	2021 HK$'000	2020 HK$'000
Minimum lease payments due:		
– within one year	**3,098**	11,841
– in the second to fifth years, inclusive	**600**	5,000
	3,698	16,841
Less: Future finance charges	**(119)**	(727)
Present value of lease liabilities	**3,579**	16,114
Present value of lease liabilities:		
– within one year	**3,010**	11,211
– in the second to fifth years, inclusive	**569**	4,903
	3,579	16,114
Less: Amount due for settlement within one year	**(3,010)**	(11,211)
Amount due for settlement after one year	**569**	4,903

The weighted average incremental borrowing rates applied to lease liabilities range from to 4.0% to 10.0% (2020: from 4.0% to 13.4%).

29. DEFERRED TAX LIABILITIES

The components of deferred tax balances recognised in the consolidated statements of financial position and the movement thereon during the years ended 31 December 2021 and 2020 are as follows:

	Accelerated tax depreciation	Revaluation of land and building	Total
	HK$'000	HK$'000	HK$'000
As at 1 January 2020	75	3,844	3,919
Credited to profit or loss (Note 11)	(46)	–	(46)
Charged to other comprehensive income	–	741	741
As at 31 December 2020 and 1 January 2021	29	4,585	4,614
Credited to profit or loss (Note 11)	(5)	–	(5)
Charged to other comprehensive income	–	672	672
As at 31 December 2021	**24**	**5,257**	**5,281**

As at 31 December 2021 and 2020, the Group has estimated tax losses of approximately HK$47,154,000 and HK$43,978,000 available for offset against future profits. No deferred tax assets have been recognised as it uncertain that there will be sufficient future profits available to utilise the balances. The unrecognised tax losses may be carried forward indefinitely except for the tax losses arising in the PRC of that will expire in ten years for offsetting against future taxable profits. As at 31 December 2021 and 2020, there were no tax loss carried forward in the PRC.

30. SHARE CAPITAL

	Number of Shares	Amount
	'000	HK$'000
Authorised:		
Ordinary share of HK$0.01 each as at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	50,000,000	500,000
Issued and fully paid:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	660,000	6,600

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
Non-current asset			
Investment in a subsidiary		9	9
Current assets			
Prepayments		–	150
Amounts due from subsidiaries		26,704	32,581
Cash and bank balances		5	6
		26,709	32,737
Current liability			
Accruals		2,091	2,931
Net current assets		24,618	29,806
Net assets		24,627	29,815
Capital and reserves			
Share capital	30	6,600	6,600
Reserves	32	18,027	23,215
Total Equity		24,627	29,815

Approved and authorised for issue by the board of directors on 28 April 2022 and signed on its behalf by:

Koo Ja Chun
Executive Director

Kim Jun Yeob
Executive Director

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

32. RESERVES OF THE COMPANY

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	58,924	(30,674)	28,250
Loss and total comprehensive loss for the year	–	(5,035)	(5,035)
At 31 December 2020 and 1 January 2021	58,924	(35,709)	23,215
Loss and total comprehensive loss for the year	–	(5,188)	(5,188)
At 31 December 2021	**58,924**	**(40,897)**	**18,027**

33. PRINCIPAL SUBSIDIARIES

(a) As at 31 December 2021 and 2020, the Company had direct and indirect equity interests in the following subsidiaries comprising the Group:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest and voting power held by the Company As at 31 December 2021 %	2020 %	Principal activities
Directly held:					
Zioncom BVI Limited ("Zioncom BVI")	British Virgin Islands ("BVI"), 1 February 2016	US$110	100	100	Investment holdings
Indirectly held:					
Zioncom (Hong Kong) Technology Limited ("Zioncom (Hong Kong)")	Hong Kong, 17 September 1999	HK$32,000,000	100	100	Sale of networking products
吉翁電子（深圳）有限公司 ("Zioncom (Shenzhen)") (note 1)	The PRC, 9 March 2004	US$7,980,000	100	100	Research and development, manufacturing and sale of networking products
Zioncom (Vietnam) Joint Stock Company ("Zioncom (Vietnam)")	Vietnam, 10 March 2015	US$7,600,000	72.37	72.37	Manufacturing and sale of networking products
台灣吉翁電子股份有限公司 ("Zioncom (Taiwan)")	Taiwan, 30 September 2015	NT$10,000,000	100	100	Sale of networking products
Zioncom Technology Sdn. Bhd. ("Zioncom (Malaysia)")	Malaysia, 17 May 2018	MYD$1	100	100	Sale of networking product

note:

1. There is limited liability company established in the PRC.

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

33. PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiary that has material non-controlling interests:

The emolument of directors and chief executive for the year ended 31 December 2021, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is set out below:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Zioncom (Vietnam)	Vietnam	**27.63**	27.63	**4,739**	2,399	**16,412**	11,673

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

Zioncom (Vietnam)

	2021	2020
	HK$'000	HK$'000
Current assets	**107,570**	60,662
Non-current assets	**57,579**	58,988
Current liabilities	**(90,503)**	(62,047)
Non-current liabilities	**(394)**	(200)
Equity attributable to owners of the Company	**57,840**	45,730
Non-controlling interests	**16,412**	11,673

33. PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiary that has material non-controlling interests: *(Continued)*

Zioncom (Vietnam) *(Continued)*

	2021 HK$'000	2020 HK$'000
Revenue	**158,689**	158,261
Profit for the year	**17,151**	8,683
Profit attributable to owners of the Company	**12,412**	6,284
Profit attributable to non-controlling interests	**4,739**	2,399
Profit for the year	**17,151**	8,683
Other comprehensive income attributable to owners of the Company	**–**	649
Other comprehensive income attributable to non-controlling interests	**–**	248
Other comprehensive income for the year	**–**	897
Total comprehensive income attributable to owners of the Company	**12,412**	6,933
Total comprehensive income attributable to non-controlling interests	**4,739**	2,647
Total comprehensive income for the year	**17,151**	9,580

	2021 HK$'000	2020 HK$'000
Net cash (outflow)/inflow from operating activities	**(21,507)**	2,391
Net cash outflow from investing activities	**(3,161)**	(5,948)
Net cash inflow from financing activities	**30,910**	4,206
Net cash inflow	**6,242**	649

34. CAPITAL COMMITMENTS

At the end of each reporting period, the Group had the following capital commitments:

	2021 HK$'000	2020 HK$'000
Authorised and contracted for:		
Capital contributions payable to an equity investment	594	594
Capital expenditure of construction in progress	2,416	–
	3,010	594

35. RETIREMENT BENEFITS PLANS

The Group participates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 (2020: HK$1,500) and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (2020: HK$1,500) (the "**mandatory contributions**"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

Pursuant to the regulations of the relevant authorities in the PRC, the Group participates in the PRC Schemes whereby the Group is required to contribute to the PRC Schemes to fund the retirement benefits of the eligible employees. Contributions made to the PRC Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the PRC Schemes is to pay the ongoing required contributions under the PRC Schemes. The retirement benefit schemes contribution represents gross contributions by the Group to the PRC Schemes operated by the relevant authorities of the PRC.

35. RETIREMENT BENEFITS PLANS *(Continued)*

In accordance with the relevant rules and regulations in those countries other than Hong Kong and the PRC in which the Group operates, the Group is required to operate defined contribution schemes managed by the relevant jurisdictions and to make contributions for its eligible employees. The contribution borne by the Group is calculated according to the regulations stated by the relevant jurisdictions.

The retirement benefits scheme contributions arising from the MPF Scheme, the PRC Schemes and the defined contribution scheme in other jurisdictions charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in Note 10.

36. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 18 December 2017. The following is a summary of the principal terms and conditions of the Share Option Scheme.

(a) Purpose of the Scheme

The purpose of the Share Option Scheme is to reward the Participant (as defined below) who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole.

(b) Participants of the scheme

The Directors may, at their discretion, invite Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisors, consultant, distributors, contractors, suppliers, agents, customers, partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group (the "**Participant**") to take up options at the subscription price. An offer shall remain open for acceptance by the Participant concerned for a period of 28 days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the Option Period (as defined below) or after the Share Option Scheme is terminated or after the Participant has ceased to be a Participant.

(c) Total number of shares available for issue under the Scheme and percentage of the issued share capital at the date of the annual report

No share option had been granted under the Share Option Scheme and no share is available for issue under the Share Option Scheme at the date of this annual report.

36. SHARE OPTION SCHEME *(Continued)*

(d) Maximum entitlement of each participant under the Scheme

The maximum 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 shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Listing Date, i.e. 66,000,000 (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being (the "**Individual Limit**").

(e) The period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period. After the expiration of the option period, no further options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the 10-year period.

(f) The minimum period for which an option must be held before it can be Exercised

The board of directors at its discretion, may specify the offer of grant of option the minimum period for which an option must be held before it can be exercised.

(g) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

A consideration of HK$1.00 is payable to the Company by the eligible person for each acceptance of grant of option(s) and such consideration is not refundable.

36. SHARE OPTION SCHEME *(Continued)*

(h) The basis of determining the exercise price

The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and

(iii) the nominal value of the Shares.

(i) The remaining life of the Scheme

The Scheme shall be valid and effective for a period of 10 years commencing on the adoption date on 18 December 2017.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2021 and 2020.

37. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere in the consolidated financial statement, the Group had also entered into the following material related party transactions during the year:

(a) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the years are set out in Notes 12 and 13.

(b) Balances with related parties

The amount due from/(to) a director is non-trade, unsecured, interest free and recoverable/(repayable) on demand are set out in Note 22.

38. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure the lease liabilities granted to the Group or bank borrowings of the Group as follow:

	2021	2020
	HK$'000	HK$'000
Property, plant and equipment	**95,122**	97,381
Right-of-use assets	**8,515**	8,844
Inventories	**27,200**	29,260
Financial assets at fair value through profit or loss	**11,002**	10,794
Pledged bank deposits	**25,261**	25,463
	167,100	171,742

39. NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately HK$640,000 (2020: HK$477,000) and approximately HK$470,000 (2020: HK$331,000), respectively, in respect of lease arrangements for motor vehicles which of approximately HK$170,000 (2020: HK$146,000) have made by the Group as down payment.

(b) Changes in liabilities arising from financing activities:

	Bank borrowings	**Lease liabilities**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2020	71,614	17,466	89,080
Changes from financing cash flows:			
Proceedings from bank borrowings	60,730	–	60,730
Repayment of bank borrowings	(51,015)	–	(51,015)
Repayment of lease liabilities	–	(9,650)	(9,650)
Interest paid	(2,303)	(132)	(2,435)
Non-cash changes:			
Addition to right-of-use assets	–	6,618	6,618
Finance costs (Note 9)	2,534	996	3,530
Interest payables	(55)	–	(55)
Exchange alignment	1,952	816	2,768
At 31 December 2020	83,457	16,114	99,571

39. NON-CASH TRANSACTIONS *(Continued)*

(b) Changes in liabilities arising from financing activities: *(Continued)*

	Bank borrowings HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
At 1 January 2021	83,457	16,114	99,571
Changes from financing cash flows:			
Proceedings from bank borrowings	163,171	–	163,171
Repayment of bank borrowings	(138,457)	–	(138,457)
Repayment of lease liabilities	–	(9,818)	(9,818)
Interest paid	(2,095)	(82)	(2,177)
Non-cash changes:			
Addition to right-of-use assets	–	640	640
Lease modification	–	(450)	(450)
Lease termination	–	(3,567)	(3,567)
Finance costs (Note 9)	2,492	487	2,979
Interest payables	(580)	–	(580)
Exchange alignment	566	255	821
At 31 December 2021	**108,554**	**3,579**	**112,133**

40. EVENTS AFTER THE REPORTING PERIOD

(1) On 12 August 2021, Zioncom (Hong Kong), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with an independent third-party purchaser pursuant to which Zioncom (Hong Kong) agreed to sell approximately 21.37% equity interest in Zioncom (Vietnam), at the consideration of US$2,000,000 (equivalent to approximately HK$15,500,000). As at the date hereof, Zioncom (Hong Kong) owns 72.37% of Zioncom (Vietnam). Upon Completion, Zioncom (Hong Kong) will remain hold 51% of the equity interests in the Zioncom (Vietnam).

According to the three supplemental agreements dated 29 October 2021, 31 December 2021 and 31 March 2022, the date for the fulfilment or waiver of the conditions precedent of the disposal under the Disposal Agreement was extended to 15 May 2022.

The disposal has not been completed up to the date of this annual report. Please refer to the announcements of the Company dated 12 August 2021, 29 October 2021, 31 December 2021 and 31 March 2022 for more information.

40. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(2) Subsequent to the end of reporting period, the Group terminated the life insurance policies, and its account value is utilised to set off against the outstanding bank borrowings amounted to HK$6,445,000 (note 27) and the remaining account value, net of surrender charges amounting to HK$3,367,000, from this life insurance policies have been received in cash on 11 February 2022. In addition, the Group has early repaid the bank borrowings amounted to HK$4,001,000 on 11 January 2022.

(3) On 28 February 2022, the Company proposed to raise not more than approximately HK$23,100,000 before expenses by issuing 330,000,000 rights shares each at HK$0.07 per rights share on the basis of 1 rights share for every 2 shares of the Company. Further details of this transaction are set out in the Company's announcement dated 28 February 2022 and 9 March 2022.

(4) The Company's board of directors ("the Broad") received a letter dated 14 January 2022 from a person who is an alleged representative of Absolute Skill, the controlling shareholder of the Company, purporting to be a written requisition to the Company to convene an extraordinary general meeting. The Board also received another letter dated 15 March 2022 from Absolute Skill purporting to be a written requisition to the Company to convene an extraordinary general meeting (the "March Letter") to, amongst other ordinary resolutions, remove all the directors of the Board. In order to avoid any confusion among shareholders and disputes over the legitimacy of the extraordinary general meeting, the Company published a circular dated 12 April 2022 to convene an EGM with ordinary resolutions substantially the same as those in the March Letter.

Please refer to the announcements of the Company dated 23 March 2022, 4 April 2022, 12 April 2022, 13 April 2022, 14 April 2022 and 21 April 2022 and the circular of the Company dated 12 April 2022.

40. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(5) On 13 April 2022, the Company received a petition dated 12 April 2022 (the "Petition") filed by Absolute Skill (the "Petitioner"), the controlling shareholder of the Company in the Court of First Instance of the High Court of Hong Kong, against the Company and each of its directors. According to the Petition, the Petitioner claimed, inter alia, to remove all the directors of the Board and to terminate the rights issue.

On 20 April 2022, the Company received a summons dated 19 April 2022 (the "Summons") related to the Petition filed by Petitioner, in the Court of First Instance of the High Court of Hong Kong, against the Company and each of its directors. According to the Summons, the Petitioner claim for, inter alia, that the directors be restrained from (i) convening the Company's EGM; (ii) preventing the convening of the Petitioner's extraordinary general meeting; and (iii) proceeding with the rights issue. The Summons application was dismissed on 22 April 2022 with costs to be borne by the Petitioner.

Please refer to the announcements of the Company dated 19 April 2022, 20 April 2022, 21 April 2022 and 22 April 2022 for more information.

41. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 April 2022.

Five Years' Financial Summary

For the year ended 31 December 2021

RESULTS

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published consolidated financial statements is set out below:

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**621,094**	607,708	573,137	537,709	578,358
(Loss)/profit before taxation	**(42,091)**	(6,466)	(23,993)	(15,240)	3,906
Taxation	**(503)**	(1,729)	(2,104)	(2,648)	(3,186)
(Loss)/profit for the year	**(42,594)**	(8,195)	(26,097)	(17,888)	720
(Loss)/profit attributable to owners of the Company	**(47,333)**	(10,594)	(26,381)	(17,888)	720

ASSETS AND LIABILITIES

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**475,619**	497,703	491,235	506,984	513,034
Total liabilities	**(335,786)**	(331,615)	(323,798)	(325,687)	(369,986)
Total equity	**139,833**	166,088	167,437	181,297	143,048

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