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Cinese International Group Holdings Limited

富盈環球集團控股有限公司

(incorporated in Ontario, Canada and continued in the Cayman Islands with limited liability)

(Stock Code: 1620)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2021	2020	Increase/ (decrease)
	HK\$ million	HK\$ million	
Revenue	55.8	51.6	8.1%
Gross profit	16.6	23.6	(29.7%)
Loss for the year	(75.8)	(48.1)	(57.6%)
Non-IFRSs measures:			
Adjusted loss for the year (unaudited) ^(Note)	(44.3)	(48.1)	7.9%
Basic and diluted losses per share (HK cents)	(6.3)	(4.0)	(57.5%)
Proposed final dividend per share (HK cents)	—	—	—

Note: Adjusted loss for the year refers to loss for the year ended 31 December 2021 (i) add back provision of Departure and Deemed Disposition Taxes, and (ii) less deferred income tax credit recognised in income tax expenses for non-capital loss carryforward. The adjusted loss for the year is solely for reference. It is a non-IFRSs measures not intended to be considered in isolation or as substitute for the financial information prepared and presented in accordance with IFRSs. Shareholders of the Company and potential investors are encouraged to review the financial information of the Group in its entirety.

The board (the “**Board**”) of directors (the “**Directors**”) of Cinese International Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 HK\$'000	2020 HK\$'000
Revenue	3	55,822	51,605
Cost of sales	5	(39,235)	(28,024)
Gross profit		16,587	23,581
Other income	4	14,196	21,410
Other gains, net	4	58	4,127
Expected credit losses (“ECLs”) allowance on financial assets		(39,307)	(50,068)
Impairment loss on non-financial assets		—	(1,476)
Selling expenses	5	(6,538)	(11,270)
Administrative expenses	5	(43,299)	(39,671)
Operating loss		(58,303)	(53,367)
Finance income	6	2	76
Finance costs	6	(289)	(314)
Finance costs, net	6	(287)	(238)
Share of net losses of joint ventures		(1,281)	(511)
Loss before income tax		(59,871)	(54,116)
Income tax (expense)/credit	7	(15,897)	6,055
Loss for the year attributable to owners of the Company		(75,768)	(48,061)
Other comprehensive income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
– Currency translation differences		916	(47)
<i>Item that will not be reclassified to profit or loss:</i>			
– Change in fair value of equity instrument at fair value through other comprehensive income		(631)	1,307
Other comprehensive income for the year		285	1,260
Total comprehensive expenses for the year attributable to owners of the Company		(75,483)	(46,801)
Basic and diluted loss per share (HK Cents)	8	(6.3)	(4.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
Non-current assets			
Property, plant and equipment		4,168	3,940
Intangible assets		438	2,027
Right-of-use assets		3,248	3,895
Interests in joint ventures		9,400	10,681
Financial assets at fair value through profit or loss ("FVTPL")		1,521	1,507
Financial asset at fair value through other comprehensive income ("FVTOCI")		3,185	3,774
Deferred income tax assets		43,221	22,052
		<u>65,181</u>	<u>47,876</u>
Current assets			
Trade receivables	10	11,345	4,183
Prepayments, deposits and other receivables		27,504	49,206
Financial assets at FVTPL		—	5,876
Income tax recoverable		2,645	2,224
Cash and cash equivalents		48,749	30,095
		<u>90,243</u>	<u>91,584</u>
Total assets		<u><u>155,424</u></u>	<u><u>139,460</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital	11(a)	120	120
Share premium		88,248	88,248
Other reserve	11(b)	(41,256)	(41,256)
Financial asset at FVTOCI reserve	11(c)	37	668
Exchange reserve		8,517	7,601
Retained earnings	11(d)	8,857	58,484
Total equity		<u><u>64,523</u></u>	<u><u>113,865</u></u>

		As at 31 December 2021	As at 31 December 2020
	Notes	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		296	638
Lease liabilities		3,027	3,361
Loan from government		4,160	2,666
		<u>7,483</u>	<u>6,665</u>
Current liabilities			
Trade payables	12	11,432	184
Accruals and other payables		56,524	15,777
Contract liabilities		415	1,359
Lease liabilities		1,456	1,610
Income taxes payables		13,591	—
		<u>83,418</u>	<u>18,930</u>
Total liabilities		<u><u>90,901</u></u>	<u><u>25,595</u></u>
Total equity and liabilities		<u><u>155,424</u></u>	<u><u>139,460</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND REORGANISATION

Cinese International Group Holdings Limited (the “**Company**”) was incorporated in Ontario, Canada on 18 August 2017 and continued in the Cayman Islands from 20 October 2017 as an exempted company with limited liability. The registered address of the Company is 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

On 23 September 2021, the English name of the Company has been changed from “CTEH INC.” to “Cinese International Group Holdings Limited” and the dual foreign name in Chinese of the Company has been changed from “加達控股有限公司” to “富盈環球集團控股有限公司”.

The Company is an investment holding company. The Company and its subsidiaries comprising the Group (together, the “**Group**”) are engaged in air ticket distribution, travel business process management, travel products and services and other business process management (the “**Business**”) in Canada and the United States (the “**U.S.**”).

The Group operates under the licenses issued by the International Airport Transportation Association (“**IATA**”), the Travel Industry Council of Ontario (“**TICO**”), the Québec L’Office de la protection du consommateur (“**OPC**”) and the Business Practices & Consumer Protection Authority of British Columbia in Canada, which require the Group to comply with certain industry regulations.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation and going concern assumption

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) as issued by International Accounting Standards Board (“**IASB**”) and related interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of financial assets measured at FVTPL and financial asset measured at FVTOCI which are carried at fair value.

(i) New or revised standards adopted by the Group

A number of new or revised standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	COVID-19-Related Rent Concessions

The adoption of these new or revised Standards did not have any significant impact on the Group's consolidated financial statements.

(ii) New accounting standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards, amendments and interpretations to existing standards are mandatory for accounting periods beginning on or after 1 January 2022.

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 16	Leases: COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual Improvements to IFRSs 2018 - 2020	Amendments to IFRS 1 – First-time Adoption of IFRS; Amendments to IFRS 9 – Financial Instruments; Amendments to IFRS 16 and Amendments to IAS 41 – Agriculture	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*

* The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

3 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers that are used for making strategic decisions. The chief operating decision makers are identified as the executive directors of the Company. The chief operating decision makers regularly monitor and receive reports relating to the performance of the four lines of business the Group operates during the year. In this regard, management has identified four reportable operating segments, namely (1) Air ticket distribution, (2) Travel business process management, (3) Travel products and services, and (4) Other business process management.

The major business activities for the four segments are summarised as follows:

- Air ticket distribution: The Group sells air tickets on behalf of airlines in exchange for margin income and incentive commissions from airlines.
- Travel business process management: The Group performs certain administrative and management services mainly for travel agencies in exchange for travel business process management fees.
- Travel products and services: The Group packages various travel products from suppliers into company-operated tours. The Group also sells other travel products and services, where the travelers are responsible for their trips using travel services sourced by the Group.
- Other business process management: The Group provides certain translation and agent services on behalf of a healthcare company in exchange for business process management fees.

The performance of the operating segments is assessed based on segment revenue and a measure of segment operating results. Unallocated administrative expenses, ECLs allowance on financial assets, other gains, net, other income, finance cost, net, share of net losses of joint ventures and income tax are not included in the segment results. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the Group's chief operating decision makers.

	Year ended 31 December 2021				Total HK\$'000
	Air ticket distribution HK\$'000	Travel business process management HK\$'000	Travel products and services HK\$'000	Other business process management HK\$'000	
Revenue from external customers	7,445	26,041	—	22,336	55,822
Time of revenue recognition					
At a point in time	7,445	26,041	—	—	33,486
Over the time	—	—	—	22,336	22,336
	<u>7,445</u>	<u>26,041</u>	<u>—</u>	<u>22,336</u>	<u>55,822</u>
Segment results	575	13,066	—	2,044	15,685
Other income					787
Other gains, net					58
ECLs allowance on financial assets					(39,307)
Administrative expenses					(35,526)
Finance costs, net					(287)
Share of net losses of joint ventures					(1,281)
Loss before income tax					(59,871)
Income tax expense					(15,897)
Loss for the year					<u>(75,768)</u>
Other segment items:					
Depreciation and amortisation	417	1,590	—	1,232	3,239
Capital expenditure	283	1,079	—	836	2,198
Depreciation of right-of-use assets	214	817	—	633	1,664

	Year ended 31 December 2020			
	Air ticket distribution HK\$'000	Travel business process management HK\$'000	Travel products and services HK\$'000	Total HK\$'000
Revenue from external customers	21,380	28,118	2,107	51,605
Time of revenue recognition				
At a point in time	21,380	28,118	747	50,245
Over the time	—	—	1,360	1,360
	<u>21,380</u>	<u>28,118</u>	<u>2,107</u>	<u>51,605</u>
Segment results	5,050	11,862	957	17,869
Other income				2,585
Other gains, net				4,127
ECLs allowance on financial assets				(50,068)
Administrative expenses				(27,880)
Finance costs, net				(238)
Share of net losses of joint ventures				(511)
Loss before income tax				(54,116)
Income tax credit				6,055
Loss for the year				<u>(48,061)</u>
Other segment items:				
Depreciation and amortisation	1,021	2,018	559	3,598
Capital expenditure	143	284	78	505
Depreciation of right-of-use assets	618	1,297	513	2,428

Revenue from external parties contributing 10% or more of the total revenues of the Group is as follows:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Company A – travel business process management segment	15,659	12,872
Company B – travel business process management segment	7,287	14,516
Company C – other business process management segment (note)	<u>22,336</u>	<u>-</u>

Note: The customer did not contribute 10% or more of the total revenue of the Group in preceding financial year.

There is no material inter-segment revenue.

The Group's revenue by geographical locations (as determined by the area or country in which the Group operates) is analysed as follows:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Canada	55,064	44,237
United States	<u>758</u>	<u>7,368</u>
	<u>55,822</u>	<u>51,605</u>

The following is an analysis of the carrying amounts of the Group's assets analysed by geographical area in which the assets are located:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Canada	98,907	69,710
United States	31,036	38,630
Hong Kong	<u>25,481</u>	<u>31,120</u>
	<u>155,424</u>	<u>139,460</u>

As at 31 December 2021, all material non-current assets, other than deferred income tax assets of approximately HK\$19,169,000 (2020: HK\$9,818,000) and interests in joint ventures of approximately HK\$9,400,000 (2020: HK\$10,681,000), are located in Canada.

4 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Other income		
Subsidies (Note)	14,189	20,322
Dividends income from financial assets at FVTPL	7	1,088
	<u>14,196</u>	<u>21,410</u>
Other gains/(losses), net		
Foreign exchange gain/(loss)	(179)	476
Gain on disposal of financial assets at FVTPL	179	2,981
Fair value change in financial assets at FVTPL	(2)	670
Gain on modification on loan from government	60	—
	<u>58</u>	<u>4,127</u>

Note: It mainly represents grants received in relation to wage subsidies from Canada Emergency Wage Subsidy Program. There are no unfulfilled conditions or contingencies relating to these grants as at 31 December 2021 and 2020.

5 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Cost of package tours and tickets	—	626
Employee benefit expenses (including directors' emoluments)	51,573	53,688
Office, telecommunication and utility expenses	4,031	4,164
Depreciation of right-of-use assets	2,053	2,746
Short-term leases expenses	1,196	360
Advertising and promotion	57	269
Credit card fees	28	284
Auditor's remuneration		
– Audit service	1,500	1,300
– Non-audit service	187	175
Depreciation of property, plant and equipment	2,353	2,081
Amortisation of intangible assets	1,626	2,538
Legal and professional fees	5,959	2,534
Service fees	15,173	3,478
Others	3,336	4,722
	<u>89,072</u>	<u>78,965</u>
Total cost of sales, selling and administrative expenses		

6 FINANCE (COSTS)/INCOME, NET

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Finance income		
– Interest income	2	76
Finance costs		
– Interest expense on lease liabilities	(187)	(277)
– Imputed interest expense on loans from government	(102)	(37)
	<u>(289)</u>	<u>(314)</u>
Finance costs, net	<u>(287)</u>	<u>(238)</u>

7 INCOME TAX (EXPENSE)/CREDIT

Canadian corporate income tax has been provided at the rate of 26.5% for the year ended 31 December 2021 (2020: 26.5%) on the Group's respective taxable (loss)/income. Canadian departure tax and Canadian deemed disposition tax have been provided at the rate of 5% and 26.5% respectively for the year ended 31 December 2021 on the Group's deemed disposal gain and deemed capital gain respectively. United States federal income tax has been provided at the rate of 21% for the year ended 31 December 2021 (2020: 21%) on the Group's respective taxable (loss)/income and the United States state and city tax has been calculated on the estimated assessable profit at 14.95% for the year ended 31 December 2021 (2020: 14.91%).

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
– Canadian corporate income tax	2,433	1,770
– Canadian departure and deemed disposition tax	(39,732)	—
– United States federal income tax	—	(137)
– United States state and city income tax	—	(83)
– Under provision in prior years	(2)	(83)
Deferred income tax	<u>21,404</u>	<u>4,588</u>
Income tax (expense)/credit	<u>(15,897)</u>	<u>6,055</u>

8 LOSS PER SHARE

Basic loss per share is calculated by dividing the losses attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Year ended 31 December	
	2021	2020
Loss attributable to owners of the Company (HK\$'000)	(75,768)	(48,061)
Weighted average number of ordinary shares in issue (Number of shares in thousand)	<u>1,200,000</u>	<u>1,200,000</u>
Basic and diluted loss per shares (HK Cents)	<u>(6.3)</u>	<u>(4.0)</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share. For the years ended 31 December 2021 and 2020, the Group has no dilutive potential ordinary shares.

9 DIVIDEND

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 December 2021 (2020: nil).

10 TRADE RECEIVABLES

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
Incentive commission receivables	1,923	3,620
Less: ECLs allowance	(535)	(520)
	<u>1,388</u>	<u>3,100</u>
Other business process management income receivables	8,058	—
Less: ECLs allowance	(208)	—
	<u>7,850</u>	<u>—</u>
Other trade receivables	2,187	1,193
Less: ECLs allowance	(80)	(110)
	<u>2,107</u>	<u>1,083</u>
	<u><u>11,345</u></u>	<u><u>4,183</u></u>

Trade receivables primarily represent other business process management income receivables (2020: incentive commission receivables from airlines). The payment periods from customers generally range from 30 to 90 days.

The aging analysis of trade receivables (net of ECLs allowance) based on invoice date is as follows:

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
0 to 60 days	8,067	3,838
Over 60 days	3,278	345
	<u>11,345</u>	<u>4,183</u>

As at 31 December 2021, trade receivables of HK\$1,568,000 (2020: HK\$345,000) was past due but not impaired. These primarily represent other business process management income receivables and incentive commission receivables from airlines. Based on past experience and customers' repayment record, the amounts can be recovered.

The aging analysis of these trade receivables (net of ECLs allowance), based on due date, is as follows:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Not overdue	9,777	3,838
1-90 days	1,539	307
91-180 days	29	38
	11,345	4,183

The carrying amounts of trade receivables approximate their fair values at each reporting date and are denominated in the following currencies:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
CAD	10,197	3,518
USD	1,148	665
	11,345	4,183

The maximum exposure to credit risk is the carrying amount of trade receivables and the Group does not have any receivables held as collateral or security.

11 SHARE CAPITAL AND OTHER RESERVE

(a) Share capital

	Number of ordinary shares (’000)	Nominal value of ordinary shares HK\$’000
Authorised:		
Ordinary shares of HK\$0.0001 each		
As at 1 January 2020, and 31 December 2020 and 2021	<u>90,000,000</u>	<u>9,000</u>
Issued and fully paid:		
As at 1 January 2020, and 31 December 2020 and 2021	<u><u>1,200,000</u></u>	<u><u>120</u></u>

(b) Other reserve

The other reserve presented in the consolidated statements of financial position represented the difference between the face value and the redemption value of the 10,000,000 Class A redeemable preference shares issued to the shareholders on 1 September 2011.

Upon completion of the exchange of redeemable preference shares into the ordinary shares of the Company on 9 October 2017 for reorganisation, the carrying amount of redeemable preference shares amounting to HK\$54,920,000 was recorded in other reserve.

(c) Financial asset at FVTOCI reserve

Financial asset at FVTOCI reserve comprises the cumulative net change in fair value of unlisted equity investments held at the end of the reporting period.

(d) Retained earnings

On 16 September 2021, capital contribution amounting to HK\$26,141,000 by the shareholders for settlement of the Canadian departure and deemed disposition tax liability of the Company was recorded in retained earnings.

12 TRADE PAYABLES

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

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
0 to 30 days	4,170	33
31 to 60 days	4,386	5
Over 60 days	2,876	146
	<u>11,432</u>	<u>184</u>

The carrying amounts of the trade payables approximate their fair values as at 31 December 2021 and 2020 and are all denominated in CAD.

13 BANKING FACILITIES

As at 31 December 2021, the Group has banking facilities available in the form of letters of guarantee of HK\$15,378,000 (2020: HK\$15,225,000), in which HK\$5,134,000 (2020: HK\$7,805,000) was utilised and secured by a Canadian Crown corporation, an enterprise wholly owned by the Government of Canada.

The Group was in compliance with all banking covenants as at 31 December 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a long-established air ticket consolidator, travel business process management provider and travel products and services provider in Canada, founded in 1976 and with more than 40 years of operating history. The principal businesses of the Group include (i) air ticket distribution in which it distributes air tickets to travel agents and travelers and issue air tickets directly on behalf of contracted airlines; (ii) travel business process management in which it provides mid-office and back-office support services to travel agents; (iii) other business process management in which it provides certain translation and agent services on behalf of a healthcare company; and (iv) travel products and services in which it designs, develops and sells package tours, as well as other travel products and services to travel agents and travelers.

The Group's performance in 2021 continued to be impacted by the ongoing pandemic of the coronavirus disease 2019 ("COVID-19"). These uncertainties negatively affected the Group's financial performance in 2021 notwithstanding that there was a gradual recovery of the travel industries with increasing rate of vaccination worldwide. The Group also leveraged its knowledge and experience from travel business process management segment to explore new business opportunities, and had secured a new customer during the year, which is a healthcare company in Canada, to provide business process management services to support COVID-19 tests in the airports in Canada in 2021. The Group thereby recognised a new business process management segment for the year ended 31 December 2021. The total revenue of the Group increased by approximately HK\$4.2 million or approximately 8.1%, from approximately HK\$51.6 million for the year ended 31 December 2020 to approximately HK\$55.8 million for the year ended 31 December 2021, which was mainly due to revenue generated from this new business process management segment. The gross profit decreased by approximately HK\$7.0 million or approximately 29.7%, from approximately HK\$23.6 million for the year ended 31 December 2020 to approximately HK\$16.6 million for the year ended 31 December 2021. The overall gross profit margin decreased by approximately 16.0%, from approximately 45.7% for the year ended 31 December 2020 to approximately 29.7% for the year ended 31 December 2021, which was primarily attributable to the decrease in the gross profit margin in the air ticket distribution segment and the relatively lower gross profit margin for the other business process management segment.

Air Ticket Distribution

Air ticket distribution business segment continued to be impacted by the COVID-19 pandemic in 2021. Segment revenue dropped by approximately 65.4%, from approximately HK\$21.4 million for the year ended 31 December 2020 to approximately HK\$7.4 million for the year ended 31 December 2021, and accounted for approximately 13.3% of the total revenue of the Group for the year ended 31 December 2021. Such decrease was mainly attributable to the decrease in transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales, primarily due to the decline in international travel caused by travel restrictions imposed by countries where the Group was based in and across the world in response to the COVID-19 pandemic. As one of the International Airport Transportation Association (IATA) accredited travel agents in Canada and one of the Airlines Reporting Corporation (ARC) accredited travel agents in the United States, the Group is qualified to obtain ticketing authority to issue air tickets of all available flights (origins and destinations) on behalf of IATA member airlines and ARC member airlines and secure private fare deals directly from them. As at 31 December 2021, the Group had ticketing authority for more than 150 airlines and private fare deals with around 70 airlines, including top airlines based in Canada, the United States and China.

Travel Business Process Management

The Group continued to provide a range of travel business process management services including air ticket transaction processing, customer contact, BSP/ARC settlement and reconciliation, software development and travel licensing, compliance, and other administrative matters to its customers. Segment revenue generated from travel business process management decreased by approximately 7.5%, from approximately HK\$28.1 million for the year ended 31 December 2020 to approximately HK\$26.0 million for the year ended 31 December 2021, and accounted for approximately 46.7% of the total revenue of the Group for the year ended 31 December 2021. The management has continued its efforts to expand the Group's customer base by initiating sales efforts targeting travel agents that share similar profile and market positioning as its existing customers. During the year ended 31 December 2021, the Group had been providing travel business process management services to 10 customers including certain well-known global brands.

Other business process management

By leveraging the knowledge and experience from travel business process management segment, the Group started to provide business process management services to a healthcare company in Canada in relation to COVID-19 tests in the airports in Canada in 2021 and thereby recognised a new business process management segment for the year ended 31 December 2021. The Group provided a range of business process management services

including translation, customer contact, software support and other administrative services. Segment revenue generated from other business process management was approximately HK\$22.3 million for the year ended 31 December 2021 and accounted for approximately 40.0% of the total revenue of the Group.

Travel Products and Services

The Group has suspended the provision of its outbound package tours due to the outbreak of COVID-19 pandemic and travel restrictions across the world. Therefore, no segment revenue from travel products and services was generated for the year ended 31 December 2021.

DIVIDENDS

In order to retain more cash to finance the working capital requirements and future development of the Group, the Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: HK\$ nil). The Board will consider future dividend distribution in due course according to the Company's dividend policy.

FUTURE PROSPECT

It is expected that the COVID-19 pandemic would continue to impact the airline, travel and tourism industry worldwide until the travel restrictions across countries are further relaxed. A series of measures have been adopted by the Group to control costs and to enhance cash flow and operational efficiency, including (i) the implementation of salary reduction on the part of the Directors and senior management of the Group; (ii) application for the Canada Emergency Wage Subsidy program; (iii) application for the Canada Emergency Rent Subsidy program; and (iv) streamlining of workflow. The situation relating to the spread and containment of the COVID-19 pandemic remains uncertain and fluid, and the Group will closely monitor the trend of the global environment and maintain a pragmatic approach for its businesses.

Further, as illustrated by the other business process management segment which was newly developed in 2021, the Group will continue to explore opportunities to diversify its business with its knowledge and experience so as to expand its income sources and enhance future earning capability and potential. The Group will continue to deploy business strategies with a view to sustain its travel related businesses and endeavor to explore suitable business opportunities from time to time in the travel consultancy, healthcare, hospitality and other potential service industry to create business synergy and bring value to shareholders of the Company.

FINANCIAL REVIEW

REVENUE

The following table sets forth the components of the revenue by business segment for the years:

	Year ended 31 December			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Air ticket distribution	7,445	13.3	21,380	41.4
Travel business process management	26,041	46.7	28,118	54.5
Other business process management	22,336	40.0	—	—
Travel products and services	—	—	2,107	4.1
Total	<u>55,822</u>	<u>100.0</u>	<u>51,605</u>	<u>100.0</u>

The Group's revenue increased by approximately HK\$4.2 million or approximately 8.1%, from approximately HK\$51.6 million for the year ended 31 December 2020 to approximately HK\$55.8 million for the year ended 31 December 2021. Such increase was mainly attributable to revenue generated from the other business process management which was newly developed in 2021, partially offset by the decrease in revenue generated from the air ticket distribution segment.

Air Ticket Distribution

The revenue from air ticket distribution segment decreased by approximately HK\$14.0 million, or approximately 65.4%, from approximately HK\$21.4 million for the year ended 31 December 2020, to approximately HK\$7.4 million for the year ended 31 December 2021. Such decrease was mainly attributable to the decrease in the transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales as a result of limited international travel due to the COVID-19 pandemic and travel restrictions such as entry restrictions, visa suspensions and quarantine measures imposed by countries where the Group was based in and across the world.

Travel Business Process Management

The revenue from travel business process management segment decreased by approximately HK\$2.1 million or approximately 7.5%, from approximately HK\$28.1 million for the year ended 31 December 2020 to approximately HK\$26.0 million for the year ended 31 December 2021. Such decrease was mainly attributable to the decrease in transaction volume in 2021 as a whole as a result of limited international travel due to the COVID-19 pandemic and travel restrictions across the world, notwithstanding there was a gradual recovery in transaction volume in the second half of 2021.

Other business process management

The Group secured a new customer, which is a healthcare company in Canada, to provide business process management services in relation to COVID-19 tests in the airports in Canada in the second half of 2021. The revenue from other business process management segment was approximately HK\$22.3 million for the year ended 31 December 2021.

Travel Products and Services

No revenue from travel products and services segment was generated for the year ended 31 December 2021, as the Group suspended the provision of package tours due to the COVID-19 pandemic and travel restrictions across the world.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the components of the gross profit and gross profit margin by business segment:

	For the year ended 31 December			
	2021		2020	
	Gross profit	Gross profit	Gross profit	Gross profit
	HK\$'000	margin %	HK\$'000	margin %
Air ticket distribution	1,709	23.0	10,925	51.1
Travel business process management	12,629	48.5	11,176	39.7
Other business process management	2,249	10.1	—	—
Travel products and services	—	—	1,480	70.2
Total	16,587	29.7	23,581	45.7

The gross profit decreased by approximately HK\$7.0 million or approximately 29.7%, from approximately HK\$23.6 million for the year ended 31 December 2020 to approximately HK\$16.6 million for the year ended 31 December 2021.

The overall gross profit margin decreased by approximately 16.0%, from approximately 45.7% for the year ended 31 December 2020 to approximately 29.7% for the year ended 31 December 2021, which was primarily attributable to the decrease in the gross profit margin in the air ticket distribution segment and relatively lower profit margin for the other business process management segment newly developed in 2021.

Air Ticket Distribution

The gross profit attributable to air ticket distribution segment decreased by approximately HK\$9.2 million, or approximately 84.4%, from approximately HK\$10.9 million for the year ended 31 December 2020 to approximately HK\$1.7 million for the year ended 31 December 2021, which was in line with the decrease in the transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales as a result of limited international travel due to the COVID-19 pandemic. The gross profit margin for air ticket distribution segment decreased by approximately 28.1% from approximately 51.1% for the year ended 31 December 2020 to approximately 23.0% for the year ended 31 December 2021, which was primarily attributable to a greater proportional decrease in the business segment revenue than the business segment cost of sales.

Travel Business Process Management

The gross profit attributable to travel business process management segment increased by approximately HK\$1.4 million, or approximately 12.5%, from approximately HK\$11.2 million for the year ended 31 December 2020 to approximately HK\$12.6 million for the year ended 31 December 2021. The gross profit margin for travel business process management segment increased by approximately 8.8% from approximately 39.7% for the year ended 31 December 2020 to approximately 48.5% for the year ended 31 December 2021, which was mainly due to the gradual recovery in revenue generated from transaction processing in the second half of 2021 which had a higher gross profit margin.

Other business process management

The gross profit attributable to other business process management segment for the year ended 31 December 2021 was approximately HK\$2.2 million, with a gross profit margin of approximately 10.1%. The lower segment gross profit margin compared to the travel business process management segment was mainly due to (i) the fact that the business process management services provided were mainly customer contact services and administrative services, which involved higher labour cost; and (ii) lower markup for the development of new business segment and new customer.

Travel Products and Services

There was no gross profit attributable to travel products and services segment for the year ended 31 December 2021, as no segment revenue was recognised as a result of the Group's suspension of provision of package tours due to the COVID-19 pandemic and travel restrictions across the world.

Other Income

Other income decreased by approximately HK\$ 7.2 million or approximately 33.6% from approximately HK\$21.4 million for the year ended 31 December 2020 to approximately HK\$14.2 million for the year ended 31 December 2021, which was mainly due to the decrease in grants received in relation to wage subsidies from the Canada Emergency Wage Subsidy Program as a result of the gradual recovery of the revenue of the Group.

Selling Expenses

The selling expenses decreased by approximately HK\$4.8 million or approximately 42.5%, from approximately HK\$11.3 million for the year ended 31 December 2020 to approximately HK\$6.5 million for the year ended 31 December 2021, which was mainly due to the temporary closure of the Group's retail branches in Canada in light of the order of the Canadian government to close non-essential businesses in Ontario and Quebec since March 2020.

Administrative Expenses

The administrative expenses increased by approximately HK\$3.6 million or approximately 9.1%, from approximately HK\$39.7 million for the year ended 31 December 2020 to approximately HK\$43.3 million for the year ended 31 December 2021, which was mainly due to the increase in legal and professional fee for corporate and restructuring activities, including the Share Offer (as defined below) which was closed in July 2021.

Loss for the year

The results of the Group decreased by approximately HK\$27.7 million or approximately 57.6%, from the loss of approximately HK\$48.1 million for the year ended 31 December 2020 to the loss of approximately HK\$75.8 million for the year ended 31 December 2021. Such increase in loss for the year was mainly attributable to the following:

- the decrease in gross profit by approximately HK\$7.0 million or approximately 29.7%, from approximately HK\$23.6 million for the year ended 31 December 2020 to approximately HK\$16.6 million for the year ended 31 December 2021 as discussed in the sub-section headed “Gross Profit and Gross Profit Margin” above; and
- a net provision of Departure and Deemed Disposition Taxes of approximately HK\$31.4 million was charged as income tax expense of the Group as a result of the change in control of the Company on 19 July 2021 as discussed in the sub-section headed “Change of Composition of The Board And its Tax Implication” below,

partly offset by:

- the decrease in ECLs allowance made in accordance with International Financial Reporting Standard 9 to certain financial assets due to uncertainty of economic recovery raising from COVID-19 pandemic by approximately HK\$10.8 million from approximately HK\$50.1 million for the year ended 31 December 2020 to approximately HK\$39.3 million for the year ended 31 December 2021.

Non-IFRSs measures

To supplement the financial information presented in accordance with IFRSs, we also use adjusted loss for the year as non-IFRSs measures, which is not required by, or presented in accordance with IFRSs. The management of the Company believes such non-IFRSs measures facilitates comparison of operating performance from period to period by eliminating potential impacts of items which are not considered to be indicative of the operating performance of the Group. The management of the Company also believes such non-IFRSs measures would provide useful information to shareholders of the Company and potential investors in understanding and evaluating the consolidated statement of comprehensive income of the Group in the same manner as the management of the Company. Having said the above, the presentation of non-IFRSs measures is not intended to be considered in isolation or as substitute for the financial information prepared and presented in accordance with IFRSs. Such non-IFRSs measures has limitations as analytical tool and such non-IFRSs measures may differ from the non-IFRSs measures used by other companies, and therefore the comparability of such information may be limited. Shareholders of the Company and potential investors are encouraged to review the financial information of the Group in its entirety.

Reconciliation of loss for the year to adjusted loss for the year:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Loss for the year	(75,768)	(48,061)
Add:		
Departure and Deemed Disposition Taxes ^(Note)	39,732	—
Less:		
Deferred income tax credit recognised in income tax expenses ^(Note)	(8,281)	—
Adjusted loss for the year (unaudited)	(44,317)	(48,061)

Note: a provision of Departure and Deemed Disposition Taxes of approximately HK\$39.7 million was charged as income tax expense of the Group as a result of the change in control of the Company on 19 July 2021 as discussed in the sub-section headed “Change of Composition of The Board And its Tax Implication” while a deferred income tax credit of approximately HK\$8.3 million derived from non-capital loss carryforward was recognised in income tax expenses of the Group.

Excluding the provision of Departure and Deemed Disposition Taxes which is non-recurring in nature, and the deferred income tax credit for the year ended 31 December 2021, the Group’s adjusted loss for the year decreased by approximately HK\$3.8 million or approximately 7.9% from adjusted loss of approximately HK\$48.1 million for the year ended 31 December 2020 to adjusted loss of approximately HK\$44.3 million for the year ended 31 December 2021.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the year ended 31 December 2021, the Group’s primary source of funding included its own working capital, the net proceeds from the listing and the credit facilities provided by the Group’s principal bank in Canada.

Net cash generated from operating activities was approximately HK\$15.6 million for the year ended 31 December 2021, as compared with net cash used in operating activities of approximately HK\$47.7 million for the year ended 31 December 2020. Net cash generated from investing activities was approximately HK\$3.3 million for the year ended 31 December 2021, as compared with net cash generated from investing activities of approximately HK\$13.5 million for the year ended 31 December 2020. Net cash used in financing activities for the year ended 31 December 2021 was approximately HK\$0.3 million, as compared with net cash used in financing activities of approximately HK\$6.3 million for the year ended 31 December 2020.

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately HK\$48.7 million, representing an increase of approximately 61.8% from approximately HK\$30.1 million as at 31 December 2020.

The Group's gearing ratio is calculated based on total debt divided by the shareholders' equity at the end of the financial year and multiplied by 100%. As at 31 December 2021, the Group's gearing ratio was approximately 6.4% (2020: 2.3%). The gearing ratio increased by approximately 4.1%, from approximately 2.3% for the year ended 31 December 2020 to approximately 6.4% for the year ended 31 December 2021, which was mainly due to the addition of interest-free borrowings from the Government of Canada under the Regional Economic Growth Through Innovation program from approximately HK\$2.7 million for the year ended 31 December 2020 to approximately HK\$4.2 million for the year ended 31 December 2021. Taking into consideration the Group's current bank balances and cash, together with the credit facilities available and the expected cash flow from operations, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

Net current assets

As at 31 December 2021, the Group had net current assets of approximately HK\$6.8 million as compared with net current assets of approximately HK\$72.7 million as at 31 December 2020.

BORROWINGS

As at 31 December 2021, the Group had interest-free borrowings from the Government of Canada under the Regional Economic Growth Through Innovation program of approximately HK\$4.2 million (2020: HK\$2.7 million), which were denominated in Canadian dollars. The Directors expect that such borrowings will either be repaid by internally generated funds or continue to provide funding to the Group's operations.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

EVENT AFTER THE REPORTING PERIOD

There are no significant events subsequent to the end of the reporting period which would materially affect the Group's operating and financial performance as at the date of this announcement.

FOREIGN EXCHANGE RISKS

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong dollar. The Group's policy requires the management to control the Group's foreign exchange risk to an acceptable level by ensuring that the Group is able to obtain sufficient amount of USD at acceptable exchange rate for meeting the payment obligations arising from business operations. A net foreign exchange loss of approximately HK\$0.2 million was recorded for the year ended 31 December 2021 and exchange gain of approximately HK\$0.5 million was recorded for the year ended 31 December 2020.

During the year ended 31 December 2021, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 143 employees as compared with 127 employees as at 31 December 2020, of which 142 were in Canada and one was in the United States of America. The total staff costs incurred by the Group for the year ended 31 December 2021 were approximately HK\$51.6 million as compared with approximately HK\$53.7 million for the year ended 31 December 2020. The Group will regularly review its remuneration policy and the benefits to its employees with reference to market practice and the performance of individual employees. In addition, the Company has adopted a share option scheme on 7 May 2018 to attract and retain individuals with experience and ability and to reward them for their contributions. Further details will be set out in the annual report of the Company for the year ended 31 December 2021.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENTS

During the year ended 31 December 2021, no significant investments, material acquisition and disposal of subsidiaries, associates or joint ventures were conducted by the Group.

PLEDGE OF ASSETS

As at 31 December 2021, the Group had government bond issued by the Canadian government of approximately HK\$1.5 million (31 December 2020: HK\$1.5 million). The bond is held as a security pledge for the operating permits required under the Quebec Travel Agents Act by the OPC. The interest rate for the bond is 1.8% per annum with a maturity date of 21 March 2023.

CHANGE IN CONTROLLING SHAREHOLDERS

On 6 June 2021, the Company and Tomorrow Education Technology Limited (“**Tomorrow Education**” or the “**Offeror**”) jointly announced that BVRTH Inc. (beneficially and wholly-owned by Rita Tsang Group Holdings Inc., which was in turn controlled by Mrs. Rita Pik Fong Tsang (“**Mrs. Tsang**”), BVATH Inc. (indirectly wholly-owned by Ms. Annie Shuk Fong Tsu (“**Ms. Tsu**”), BVDCH Inc. (indirectly wholly-owned by Dr. Kwok Chun Dennis Chu (“**Dr. Chu**”)) (collectively, as the “**Vendors**”), Mrs. Tsang and Rita Tsang Group Holdings Inc. (as the warrantors of BVRTH Inc.), Ms. Tsu and AT Horizons Holdings Inc. (as the warrantors of BVATH Inc.), Dr. Chu and Dennis Chu Holdings Inc. (as the warrantors of BVDCH Inc.) and Tomorrow Education entered into a sale and purchase agreement on 5 June 2021, pursuant to which the Offeror as the purchaser agreed to acquire from the Vendors as the sellers, an aggregate of 900,000,000 ordinary shares of the Company (the “**Sale Shares**”) for a total consideration of HK\$205 million (the “**Sale and Purchase**”), equivalent to approximately HK\$0.2278 per Sale Share, which was agreed between the Vendors and the Offeror after arm’s length negotiations. The Sale Shares represent 75.0% of the total issued share capital of the Company as at 6 June 2021.

The completion of the Sale and Purchase (the “**Completion**”) took place on 10 June 2021. Immediately after the Completion, CCB International Capital Limited, the financial adviser to Tomorrow Education, had made an unconditional mandatory cash offer for and on behalf of Tomorrow Education pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers to acquire all the issued shares of the Company (other than those owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) (the “**Share Offer**”). On 19 July 2021, immediately after the close of the Share Offer, the Offeror and parties acting in concert with it were interested in an aggregate of 938,850,000 shares of the Company, representing approximately 78.24% of the issued share capital of the Company as at 19 July 2021.

Accordingly, the minimum public float requirement of 25% as set out under Rule 8.08(1) of the Listing Rules was not satisfied immediately after the close of the Share Offer. The Stock Exchange granted the Company a temporary waiver from strict compliance with Rule 8.08(1) (a) of the Listing Rules for a period from 19 July 2021 to 19 September 2021. Subsequently, in light of the progress of restoration of the minimum public float of the Company, the Company applied for a second temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for another two-month period from 20 September 2021 to 20 November 2021, and the Stock Exchange agreed to grant such waiver on 16 September 2021. On 12 November 2021, the Company was informed by the Offeror that the Offeror had disposed of a total of 38,850,000 shares of the Company on-market, representing approximately 3.24% of the total issued share capital of the Company (“**On-Market Sales**”). Immediately upon completion of the On-Market Sales, the minimum public float of the Company of 25.0% as required under Rule 8.08(1)(a) of the Listing Rules had been restored. For details of the waivers and the restoration of the minimum public float of the Company, please refer to the announcements of the Company dated 27 July 2021, 17 September 2021 and 12 November 2021, respectively.

CHANGE OF COMPOSITION OF THE BOARD AND ITS TAX IMPLICATION

The composition of the Board and the Board committees has been changed on 19 July 2021 as a result of the change in control of the Company. After the change of the composition of the Board, more than 50% of the Board consists of non-Canadian Directors, and therefore the Company is generally considered as a non-resident of Canada for the purposes of the Income Tax Act, R.S.C. 1985, c. 1 (5th Supplement) as the Company’s “mind and management” is outside Canada. As a result, certain adverse “departure taxes” implication arose. For details of the tax implication in relation to the change of Directors, please refer to the announcement jointly issued by the Company and the Offeror dated 6 June 2021.

Based on a preliminary assessment of the tax representative of the Group and subject to the final tax assessment of the Canadian Tax Authority, the Departure and Deemed Disposition Taxes charged for the year were estimated to be approximately HK\$39.7 million. The net impact to the financial performance of the Group for the year was approximately HK\$31.4 million after offsetting the Company’s non-capital loss carryforward of approximately HK\$8.3 million.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities or guarantees.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 15 June 2018 (the “**Prospectus**”), the Group did not have plans for material investments and capital assets as at 31 December 2021.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Stock Exchange on 28 June 2018, with net proceeds received by the Company in the amount of HK\$49.7 million after deducting underwriting commission and all related listing expenses.

An analysis of the utilisation of the net proceeds from the listing date up to 31 December 2021 is set out below:

Use of net proceeds	Net proceeds from the share offer HK\$ million	Actual utilisation up to 31 December 2021 HK\$ million	Unutilised amounts as at 31 December 2021 HK\$ million	Expected year of full utilisation of remaining balance
Repayment of bank borrowings	21.5	21.5	—	—
Expansion of air ticket distribution business	13.4	1.0	12.4	2023
Upgrade the information technology infrastructure	6.7	4.8	1.9	2022
Expansion the travel business process management business	6.9	6.9	—	—
Advertising and promotion	1.2	0.9	0.3	2022
	<u>49.7</u>	<u>35.1</u>	<u>14.6</u>	

As at 31 December 2021, the net proceeds received from the listing had been, and will be used in the manner consistent with that disclosed in the Prospectus.

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on 29 June 2022. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed during the following period:

Latest time to lodge transfers documents for registration..... 4:30 p.m. on 23 June 2022
Closure of register of members..... 24 June 2022 to 29 June 2022
(both days inclusive)

For purposes mentioned above, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road North Point, Hong Kong for registrations no later than the aforementioned latest time.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company has adopted all applicable code provisions as set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules and has also put in place certain recommended best practices as set out in the CG Code.

The Board is of the opinion that the Company has complied with all applicable code provisions (other than provision C.2.1) set out in the CG Code during the year ended 31 December 2021 and up to the date of this announcement.

CG Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Kou Chung Yin Mariana is the chairperson of the Board and the chief executive officer of the Company. The Board is of the opinion that vesting the roles of both chairman and chief executive in Ms. Kou has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. The Board also believes that the balance of power and authority is not compromised and is adequately ensured by the composition of the existing Board. Therefore the Directors consider that the deviation from the CG Code provision C.2.1 is appropriate in such circumstances.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report contained in the annual report of the Company for the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of conduct of the Company regarding Directors’ transactions of the listed securities of the Company. The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the Model Code and its code of conduct from the year ended 31 December 2021 and up to the date of this announcement.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, being Ms. Kwan Ka Yee, Mr. Fong Wai Bun Benny and Ms. Suen Yin Wah Chloe. The audit committee is chaired by Ms. Kwan Ka Yee. The annual results for the year ended 31 December 2021 of the Company have been reviewed by the Audit Committee. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed risk management and internal control with senior management members of the Company and is of the view that the results for the year ended 31 December 2021 are prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

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

During the year ended 31 December 2021 and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2021 have been agreed by the Company’s external auditor, BDO Limited (“**BDO**”), to the amounts set forth in the Group’s audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cighl.com>). The annual report of the Company for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board
Cinese International Group Holdings Limited
富盈環球集團控股有限公司
Ms. Kou Chung Yin Mariana
Chairperson and executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Liu Xue Bin and Ms. Kou Chung Yin Mariana, the non-executive Director is Mr. Liu Jiefeng, and the independent non-executive Directors are Mr. Fong Wai Bun Benny, Ms. Suen Yin Wah Chloe and Ms. Kwan Ka Yee.