



Oriental Explorer Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0430)



Annual Report 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Chi Yung, Kenneth (*Chairman*)
Mr. Lau Michael Kei Chi
(*Vice-Chairman and Managing Director*)

Independent Non-executive Directors

Mr. Wong Yim Sum
Mr. Lee Siu Man, Ervin
Mr. Tsui Ka Wah

AUDIT COMMITTEE

Mr. Wong Yim Sum (*Chairman*)
Mr. Lee Siu Man, Ervin
Mr. Tsui Ka Wah

REMUNERATION COMMITTEE

Mr. Tsui Ka Wah (*Chairman*)
Mr. Lau Chi Yung, Kenneth
Mr. Lau Michael Kei Chi
Mr. Wong Yim Sum
Mr. Lee Siu Man, Ervin

NOMINATION COMMITTEE

Mr. Lau Chi Yung, Kenneth (*Chairman*)
Mr. Lau Michael Kei Chi
Mr. Wong Yim Sum
Mr. Lee Siu Man, Ervin
Mr. Tsui Ka Wah

COMPANY SECRETARY

Mr. Li Ying Leung

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank J. Safra Sarasin Ltd, Hong Kong Branch
Bank of China
East West Bank, Hong Kong Branch

SOLICITORS

Ng and Fang Solicitors & Notaries
Wong & Tang Solicitors

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
and Registered Public Interest Entity Auditor
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 22-28, 25/F
Tower A, Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the “**Board**”) of Oriental Explorer Holdings Limited (the “**Company**”), I am pleased to present the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020.

REVIEW OF OPERATION

During the year under review, the Group recorded a net loss of approximately HK\$115 million (2019: profit of approximately HK\$52 million). This was mainly due to the loss brought by discontinued operation for the year ended 31 December 2020.

Group Reorganisation

Upon completion of the transactions under the master agreement dated 11 June 2020 (the “**Master Agreement**”) entered by the Company and Multifield International Holdings Limited (a controlling shareholder of the Company, hereinafter “**Multifield**”) (the “**Group Reorganisation**”) on 31 July 2020 (the “**Completion Date**”), the Group has ceased engaging in trading of securities as one of its principal activities, whereas the scale of the Group’s investment property business has expanded substantially.

Change of company Chinese name

Subsequent to the passing of the special resolution approving the change of the Company’s Chinese name at the special general meeting of the Company held on 23 July 2020, “東方興業控股有限公司” was adopted and registered as the secondary name of the Company in Chinese on 28 July 2020 pursuant to the Certificate of Secondary Name issued by Registrar of Companies in Bermuda on 6 August 2020, replacing the name of the Company in Chinese which was previously only used for identification purpose “東方網庫控股有限公司”. The English name of the Company, “Oriental Explorer Holdings Limited”, remains unchanged. A Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 8 September 2020 confirming the registration of the Company’s new Chinese name in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The Chinese stock short name has been changed from “東方網庫” to “東方興業控股” for trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), with effect from 9:00 a.m. on 29 September 2020. The English stock short name of the shares of the Company “ORIENTAL EXPL” and the stock code of the Company on the Stock Exchange “430” remain unchanged.

Continuing operations

Property Investment

The Group’s investment properties mainly comprise office, industrial and residential units in Hong Kong. As a result of the Group Reorganisation, the fair value of the Group’s investment property portfolio expanded substantially to approximately HK\$1,692 million as at 31 December 2020 (2019: HK\$283 million), and rental revenue contributed by investment properties increased by approximately HK\$10 million or 188% to approximately HK\$15 million in 2020 (2019: HK\$5 million).

Discontinued operation

Financial investment

In 2020, the Group recorded net fair value loss of approximately HK\$125 million (2019: gain of approximately HK\$17 million) and dividend income of approximately HK\$5 million (2019: HK\$26 million) on its listed securities portfolio.

Most of the Group’s investment in listed securities were disposed of as a result of the completion of the Group Reorganisation. As at 31 December 2020, the fair value of listed securities held by the Group was approximately HK\$98,000 (2019: HK\$561 million), or less than 0.01% (2019: 31.97%) of the total assets of the Group.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

The management considered that the cessation of the Group's securities trading business has effectively reduced the market risk associated with holding a listed securities portfolio of significant value.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Group Reorganisation

According to the Master Agreement entered by the Company and Multifield on 11 June 2020, (i) the Company acquired from Multifield for the entire issued share capital in Reach Profit Investments Limited (the "**Reach Profit**") and the outstanding amount due to Multifield by the Reach Profit on the Completion Date at a consideration of HK\$1,379,916,452 (after adjustment), and (ii) Multifield acquired from the Company for the entire issued share capital in Linkful Strategic Investment Limited (the "**Linkful Strategic**") and the outstanding amount due to the Company by the Linkful Strategic on the Completion Date at a consideration of HK\$1,139,094,234 (after adjustment).

The completion of the transactions under the Master Agreement took place on 31 July 2020. To settle the consideration shortfall, Company issued interest-free promissory notes of an aggregate amount of HK\$148,639,010 to Multifield and allotted and issued 1,181,836,004 consideration shares (representing approximately 30.4% of the enlarged issued shares of the Company) to a nominee of Multifield under specific mandate. Accordingly, the number of issued shares of the Company has been increased from 2,700,000,000 to 3,881,836,004 and the controlling shareholder's and public shareholders' interests in the Company have been changed from approximately 64.1% to 75% and from approximately 35.9% to 25% respectively.

Before the completion of the Group Reorganisation, the Linkful Strategic and the Reach Profit were wholly owned subsidiaries of the Company and Multifield respectively. Upon completion of the Group Reorganisation, the Linkful Strategic has ceased to be a subsidiary of the Company, and has become a wholly owned subsidiary of Multifield; on the other hand, the Reach Profit has become a wholly owned subsidiary of the Company and thus it is still a subsidiary of Multifield (through Multifield's shareholdings in the Company).

Further details are set out in (i) the joint announcement of the Company and Multifield dated 11 June 2020, (ii) the circular of the Company dated 30 June 2020, (iii) the poll results announcement of the Company dated 23 July 2020, and (iv) the joint announcement of the Company and Multifield dated 31 July 2020 in relation to (among others) the Master Agreement and the transactions thereunder.

Save as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the year ended 31 December 2020.

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and when appropriate hedge its currency risk.

As of 31 December 2020, the Group has not entered into any financial instrument for foreign currency hedging purpose.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. The Group held highly liquid equity investments of approximately HK\$98,000 (2019: HK\$561 million) as of 31 December 2020. The Group's cash and cash equivalents as of 31 December 2020 amounted to approximately HK\$161 million (2019: HK\$201 million).

As of 31 December 2020, total borrowings of the Group amounted to approximately HK\$299 million (2019: HK\$291 million), comprised promissory notes issued by the Company amounted to approximately HK\$149 million (2019: Nil) and amounts due to fellow subsidiaries of approximately HK\$150 million (2019: Nil), with no outstanding bank and other borrowings (2019: bank and other borrowings secured by legal charges on the Group's certain equity investments amounted to approximately HK\$291 million).

Taking into account of promissory notes issued by the Company, total bank and other borrowings and amounts due to fellow subsidiaries during the year divided by total equity of the Group, the Group's gearing ratio was approximately 19.77% (2019: 20.11%).

CONTINGENT LIABILITY

As of 31 December 2020, the Group had no material contingent liability (2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, the Group has no material events after reporting period which are required to be disclosed.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2020, the Group had approximately 10 employees in Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$4 million (2019: HK\$5 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), their performance, experience and the prevailing market condition are mainly considered. In addition to salaries, provident fund scheme, discretionary bonuses and tuition/training subsidies are available to employees. Level of remuneration is reviewed annually. During the review process, no individual director is involved in decisions relating to his own remuneration.

PROSPECT

Entering 2021, the COVID-19 pandemic situation in various regions across the globe, including Hong Kong, continues to fluctuate. Despite COVID-19 vaccines are rolling out, it seems there is still some distance from the end of the pandemic. The management believes that unless the global pandemic being stabilised and that restrictions on cross-border traveling being gradually lifted, Hong Kong's economy will continue to face great challenges in 2021. As various industries have been hard hit by the pandemic and the local unemployment rate has continued to deteriorate, it is expected that rental income and vacancy rate of the Group's investment properties portfolio may continue to face substantial pressure in 2021.

The management believes that it is still not practical to make an accurate prediction about the timing and magnitude of the forthcoming economic recovery. Despite the current uncertain economic outlook, income from the Group's principal business activities in future is expected to be more stable than before as a result of the completion of the Group Reorganisation. The Group will continue to implement a prudent business approach amid the current unprecedented economic environment, with priorities on maintaining a sound financial position and creating value for shareholders of the Company.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

ACKNOWLEDGEMENT

On behalf of the Board and management team, I would like to thank our shareholders who have extended to us their trust and have been patient with our efforts on exploring business opportunities. Again, I would like to thank my fellow directors and staff for their loyalty and efforts during the past year. I believe that we will create greater value to our investors in the future.

Lau Chi Yung, Kenneth
Chairman

Hong Kong, 25 March 2021

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAU Chi Yung, Kenneth, aged 61, joined the Group in 1995. He is the Chairman of the Company. He is also the Chairman and Director of Multifield International Holdings Limited (Stock Code: 898) (“Multifield International”), whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

Mr. LAU Michael Kei Chi, aged 67, joined the Group in 2003. He is the Vice-Chairman and Managing Director of the Company. He is also the Vice-Chairman and Managing Director of Multifield International and is the elder brother of Mr. Lau Chi Yung, Kenneth.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Yim Sum, aged 55, joined the Group as an Independent Non-executive Director in 2004. He is practicing as a Certified Public Accountant, and is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA). He is the Director of Conpak CPA Limited, a firm of Certified Public Accountants in Hong Kong. He has extensive experience in the finance and auditing fields. He is also an Independent Non-executive Director of Multifield International.

Mr. LEE Siu Man, Ervin, aged 65, joined the Group as an Independent Non-executive Director in 2009. He is a Registered Architect and Authorized Person in Hong Kong. He is a member of the Hong Kong Institute of Architects, and the founder and Managing Director of Fotton-ELA Architects Ltd. and Ervin & Lloyds Engineering Ltd. which provide comprehensive services including architecture, civil, structural and geotechnical engineering, town planning, and estate surveying and construction in the building and development field. He is also an Independent Non-executive Director of Multifield International.

Mr. TSUI Ka Wah, aged 68, joined the Group as an Independent Non-executive Director in 2010. He has 28 years of banking experience with the United States and local banks, and has held various management positions in corporate, retail and private banking. Until 2009, he was the President of Great China Region for a U.S. bank, overseeing operations in Taiwan, the People’s Republic of China (the “PRC”) and Hong Kong. Since August 2013, he has held the position of Chief Executive Officer of SME Credit Company Limited. Mr. Tsui holds a Bachelor Degree and a Master Degree of Business Administration from the Chinese University of Hong Kong. He is also an Independent Non-executive Director of Multifield International, Southeast Asia Properties & Finance Limited (Stock Code: 252) and Grand Ming Group Holdings Limited (Stock Code: 1271) respectively, whose shares are listed on the main board of the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

Ms. SIU Wai King, Donna, aged 56, joined the Group in 1992. She is the General Manager of the Group. She is responsible for the Group’s Hong Kong property business and headquarter’s operations and has over 20 years’ experience in property business.

Mr. LI Ying Leung, aged 50, joined the Group in 2014. He is the Manager of the Accounting Department of the Group and the Company Secretary of the Company. He holds a Bachelor Degree, and is a member of the HKICPA. He has over 15 years’ experience in auditing and accounting.

REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 1 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2020 and the state of affairs of the Company and the Group at that date are set out in the accompanying audited consolidated financial statements.

The directors recommend the payment of a final dividend of HK0.2 cents per ordinary share in respect of the year ended 31 December 2020 (2019: Nil), to shareholders whose name appeared on the register of members on 4 June 2021. The final dividend if approved, will be payable to the shareholders on or around 24 June 2021.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate. This summary does not form any part of the audited consolidated financial statements.

RESULTS

	Year ended 31 December				
	2020 HK\$'000	2019 HK\$'000 (Restated)	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
CONTINUING OPERATIONS					
REVENUE	14,748	5,080	(79,150)	192,898	35,621
Cost of sales	(2,482)	(1,149)	(1,057)	(866)	(796)
Gross profit/(loss)	12,266	3,931	(80,207)	192,032	34,825
Other income and gains	3,115	15,712	302	21,319	14,189
Operating and administrative expenses	(8,059)	(7,561)	(8,160)	(8,323)	(8,476)
Finance costs	–	–	(3,293)	(2,600)	(2,480)
Share of profits and losses of associates	–*	(1)	(1)	(49)	36,499
Loss on distribution of assets from an associate	–	–	–	–	(11,177)
PROFIT/(LOSS) BEFORE TAX					
FROM CONTINUING OPERATIONS	7,322	12,081	(91,359)	202,379	63,380
Income tax expense	(2,211)	(425)	(426)	(1,460)	(191)
PROFIT/(LOSS) FOR THE YEAR					
FROM CONTINUING OPERATIONS	5,111	11,656	(91,785)	200,919	63,189
DISCONTINUED OPERATION					
(Loss)/profit for the year from a discontinued operation	(120,515)	40,389	–	–	–
(LOSS)/PROFIT FOR THE YEAR	(115,404)	52,045	(91,785)	200,919	63,189
Attributable to:					
Owners of the Company	(115,404)	52,045	(91,785)	200,919	63,189
Non-controlling interests	–	–	–	–	–
	(115,404)	52,045	(91,785)	200,919	63,189

* The amount is less than HK\$1,000

REPORT OF THE DIRECTORS

ASSETS AND LIABILITIES

	As at 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	1,855,831	1,755,055	1,773,409	1,319,603	1,118,029
Total liabilities	(344,376)	(305,749)	(389,964)	(366,550)	(377,226)
	<u>1,511,455</u>	<u>1,449,306</u>	<u>1,383,445</u>	<u>953,053</u>	<u>740,803</u>

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 are set out in the section headed “Chairman’s Statement and Management Discussion and Analysis” on page 3 to 6 of the annual report and forms part of the “Report of the Directors”.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to support the environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group’s environmental impact. The Company also strives to implement recycling and reducing measures in office premises where applicable.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year under review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus employee management focuses on recruiting and growing the right people. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group’s corporate strategy.

The Group also understands that maintaining long-term good relationship with business partners is also one of the primary objectives of the Group. Accordingly, our management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in Note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in the share capital and share option scheme of the Company during the year are set out in Notes 27 and 28 to the consolidated financial statements, respectively.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 39 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As of 31 December 2020, the Company's reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act of Bermuda, amounted to approximately HK\$653,088,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the five largest customers of the Group accounted for approximately 50.9% of the Group's total revenue while the largest customer of the Group accounted for approximately 23.3% of the Group's total revenue.

None of the Directors, their respective associates, or any shareholder who, to the knowledge of the Directors, owns more than 5% of our issued capital, has any interest in any of our five largest customers during the year ended 31 December 2020 and up to the date of this annual report.

For the year ended 31 December 2020, purchases attributable to the Group's five largest suppliers combined accounted for less than 30% of the total purchases of the Group.

DIRECTORS

The directors of the Company (the "Director(s)") during the year and up to the date of this report were:

Executive Directors

Mr. Lau Chi Yung, Kenneth (Chairman)
Mr. Lau Michael Kei Chi (Vice-Chairman and Managing Director)

Independent Non-executive Directors

Mr. Wong Yim Sum
Mr. Lee Siu Man, Ervin
Mr. Tsui Ka Wah

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

In accordance with the Company's bye-laws, Mr. Wong Yim Sum and Mr. Lee Siu Man, Ervin will retire by rotation. Both of them have decided not to offer themselves for re-election at the forthcoming annual general meeting.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Brief biography of the Directors and senior management of the Group are set out on page 7 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

None of the Directors 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).

DIRECTORS' MATERIAL INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Given Mr. Lau Chi Yung, Kenneth is a controlling shareholder of Multifield and Mr. Lau Michael Kei Chi is a brother and thus an associate of Mr. Lau Chi Yung, Kenneth, they have a material interest in the transactions under the Master Agreement as disclosed under the section headed "MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES" on page 4 to this annual report and Notes 29, 30 and 33(b) to the consolidated financial statements.

Save as disclosed above and otherwise disclosed in Note 33 to the consolidated financial statements, there were no other transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a director of the Company or his connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" of this annual report.

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

As of 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company and each of their respective associates, 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 (the "SFO")), which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

REPORT OF THE DIRECTORS

Long position in ordinary shares of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	2,911,377,003*	75.00

Long position in ordinary shares of associated corporation – Multifield International, an intermediate holding company of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of associated corporation %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	2,797,055,712*	66.91

* *The above shares are ultimately controlled by Power Resources Holdings Limited which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.*

The interests of the directors in the share options of the Company are separately disclosed in Note 28 to the consolidated financial statements.

Other than certain nominee shares in subsidiaries held by a director in trust for the companies in the Group, no director held an interest in the share capital of the Company's subsidiaries during the year.

Save as disclosed above, as of 31 December 2020, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations" above and in the share option schemes disclosures in Note 28 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

So far as was known to the Directors, as of 31 December 2020, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company

Name of Shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Limitless Investment Limited	Directly beneficially owned	2,911,377,003 [#]	75.00
Multifield International Holdings (B.V.I.) Limited	Interest of controlled corporation	2,911,377,003 [#]	75.00
Multifield International	Interest of controlled corporation	2,911,377,003 [#]	75.00
Lucky Speculator Limited	Interest of controlled corporation	2,911,377,003 [#]	75.00
Desert Prince Limited	Interest of controlled corporation	2,911,377,003 [#]	75.00
Power Resources Holdings Limited	Interest of controlled corporation	2,911,377,003 [#]	75.00

[#] *Power Resources Holdings Limited was deemed to have a beneficial interest in 2,911,377,003 ordinary shares of the Company by virtue of its indirect interests in Lucky Speculator Limited, Desert Prince Limited, Multifield International, Multifield International Holdings (B.V.I.) Limited and Limitless Investment Limited.*

Save as disclosed above, as at 31 December 2020, so far as was known to the Directors, no person, other than the Directors, whose interests are set out in the section "Directors' and chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, interests of the Directors in businesses which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules are as follows:

Name of Director	Name of company	Competing business	Nature of interest
Mr. Lau Chi Yung, Kenneth	Multifield International Holdings Limited group of companies	Property investment	Director and controlling shareholder
Mr. Lau Michael Kei Chi	Multifield International Holdings Limited group of companies	Property investment	Director

Save as disclosed above, as at 31 December 2020 and up to the date of this report, none of the Directors or their respective associates was interested in any business which was considered to compete or was likely to compete, either directly or indirectly, with business of the Group.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

Given Multifield was a controlling shareholder of the Company, the transactions under the Master Agreement as disclosed under the section headed “MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES” on page 4 to this annual report and Notes 29, 30 and 33(b) to the consolidated financial statements constituted non-exempted connected transactions of the Company under the Listing Rules. The Company has complied with the applicable requirements under Chapter 14A of the Listing Rules with respect to the connected transactions during the year ended 31 December 2020.

Save as disclosed above, there were no other discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the year and up to the date of this report.

Save as disclosed above, none of the other related party transactions disclosed in Note 33 to the consolidated financial statements constituted a connected transaction or a continuing connected transaction of the Company which is subject to any of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements for the years ended 31 December 2018, 2019 and 2020 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lau Chi Yung, Kenneth
Chairman

Hong Kong
25 March 2021

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal control, transparency and accountability to all shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has applied the principles and complied with code provisions of the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”) throughout the year ended 31 December 2020, save as disclosed below.

Under code provisions A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

BOARD COMPOSITION AND BOARD PRACTICE

The Board is mandated to promote the success of the Company by providing leadership and supervising control of the Group’s business.

Currently, the Board comprises of two executive Directors and three independent non-executive Directors. The positions of chairman and managing director are held by separate individuals. The chairman provides leadership for the board and the managing director, supported by the management team, provides planning and implementation. The Board, led by Mr. Lau Chi Yung, Kenneth is responsible for the approval and monitoring of the Group’s overall strategies and policies, approval of annual budgets and business plans, evaluating the performance of Group, and oversight of management. The chairman ensures that the Board works effectively and discharges its responsibilities. All directors have been consulted on all major and material matters of the Company. With the support of the company secretary, the chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

To implement the strategies and plans approved by the Board, executive directors and senior management meet on a regular basis to review the performance of the Group and make financial and operational decisions.

Under the Listing Rules, every listed issuer is required to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Currently, the number of independent non-executive directors represents more than one-third of the total board members.

Save as Mr. Lau Michael Kei Chi is the elder brother of Mr. Lau Chi Yung, Kenneth, the members of the Board have no financial, business, family or other material/relevant relationships with one another.

CORPORATE GOVERNANCE REPORT

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

Consideration was given to the independence of Mr. Wong Yim Sum, Mr. Lee Siu Man and Mr. Tsui Ka Wah, Ervin who have served on the Board for more than 16 years, 12 years and 10 years respectively.

Each of the independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The brief biography of the Directors are set out on page 7.

The Board has scheduled regular meetings per year and meets more frequently as and when required to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. The Director can attend meetings in person or through other means of electronic communication. During the financial year ended 31 December 2020, the attendance of individual Director to the Board meeting and general meeting is summarized below:

	Number of meetings attended/held	
	Board meetings	General meetings
Executive Directors		
Mr. Lau Chi Yung, Kenneth	10/10	2/2
Mr. Lau Michael Kei Chi	10/10	2/2
Independent Non-executive Directors		
Mr. Wong Yim Sum	10/10	2/2
Mr. Lee Siu Man, Ervin	10/10	2/2
Mr. Tsui Ka Wah	10/10	2/2

The company secretary keeps the Board minutes of the Company for inspection by the Directors and all Directors have full access to information of the Company.

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in December 2013 which sets out the approach to achieve diversity on the Board.

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee has set measurable objectives based on talents, skills, regional and industry experience, background, gender and other qualities to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2020. The interests held by individual Directors in the Company's securities as of 31 December 2020 are set out in the "Report of the Directors" on pages 8 to 14.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

With the assistance from the Finance Department, which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

The statement of the external auditors of the Company, HLB Hodgson Impey Cheng Limited, with regard to its reporting responsibilities on the Group's consolidated financial statements, is set out in the Independent Auditors' Report included in this annual report.

The Directors confirm that, to the best of their knowledge, having made an reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Group not to continue as a going concern.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

Briefings were organised for Directors in 2020 to update the Directors on the duties of directors and roles and function of board committees, risk management and internal control, environmental, social and governance reporting, corporate governance, and directors' responsibilities at Initial Public Offering were given to the Directors.

During the year, according to the records provided by the Directors, a summary of training is as follows:

Type of continuous professional development programmes

Executive Directors

Mr. Lau Chi Yung, Kenneth	A, B
Mr. Lau Michael Kei Chi	A, B

Independent Non-executive Directors

Mr. Wong Yim Sum	A, B
Mr. Lee Siu Man, Ervin	A, B
Mr. Tsui Ka Wah	A, B

Notes:

- A: reading materials and seminars on corporate governance and regulatory updates
- B: reading materials and seminars on directors' duties, environmental, social and governance reporting, Listing Rules Compliance update, accounting and tax update, and other applicable legal and regulatory requirements

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lau Chi Yung, Kenneth serves as the Chairman of the Company, and the role of Chief Executive Officer of the Company is served by our Managing Director, Mr. Lau Michael Kei Chi. They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Company, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Managing Director is responsible for the day-to-day management of the Company's business and the effective implementation of corporate strategy and policies.

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the Listing Rules. The Audit Committee's terms of reference includes those specific duties as set out in the code provision C.3.3 of the Code. Pursuant to its terms of reference, the Audit Committee is required, amongst other things, to consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve their remuneration, to review the interim and annual financial statements, to review the Group's financial controls, internal controls and risk management system, the effectiveness of the Group's internal audit function and to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response. The Audit Committee should meet at least twice each year and when the need arises. Details of the attendance of Audit Committee meetings are as follows:

Members	Number of meetings attended/held
Mr. Wong Yim Sum (<i>Chairman</i>)	4/4
Mr. Lee Siu Man, Ervin	4/4
Mr. Tsui Ka Wah	4/4

In the presence of the representatives of the Company's independent external auditors, the Group's audited consolidated financial statements for the year ended 31 December 2020 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

The accounts for the year ended 31 December 2020 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be reappointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

REMUNERATION COMMITTEE

The main responsibilities of the Remuneration Committee are to consider and recommend to the Board the Company's remuneration policy and structure and to review and determine the remuneration and compensation packages of the executive directors and senior management of the Company. The Remuneration Committee reviews and proposes the management's remuneration proposals with reference to considerations factors such as the Group's performance and profitability, directors' experience, responsibilities and time commitment, existing market environment, salaries paid by comparable companies, employment conditions elsewhere in the Group, and considers the reasonableness on remuneration based on performance.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee set up on 16 September 2005 comprises two executive Directors and three independent non-executive Directors. Details of the attendance of the committee are as follows:

Members	Number of meetings attended/held
Mr. Tsui Ka Wah (<i>Chairman</i>)	1/1
Mr. Lau Chi Yung, Kenneth	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Wong Yim Sum	1/1
Mr. Lee Siu Man, Ervin	1/1

NOMINATION COMMITTEE

The role of Nomination Committee set up on 28 March 2012 is to advise on and propose to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate. A newly appointed director must retire and be re-elected at the first general meeting after his appointment. At each annual general meeting, one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring director shall be eligible for re-election. Details of the attendance of the committee are as follows:

Members	Number of meetings attended/held
Mr. Lau Chi Yung, Kenneth (<i>Chairman</i>)	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Wong Yim Sum	1/1
Mr. Lee Siu Man, Ervin	1/1
Mr. Tsui Ka Wah	1/1

The Nomination Committee periodically reviews the structure, size and composition of the Board, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include identifying individuals suitably qualified to become Board members, and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive directors.

Most Nomination Committee members are independent non-executive directors.

REMUNERATION OF MEMBERS OF SENIOR MANAGEMENT BY BAND

Pursuant to paragraph B.1.5 of the Code, the remuneration of the members of the senior management by band for the year ended 31 December 2020 is set out in Note 8 to the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the overall responsibility for maintaining a sound and effective system of internal controls and risk management. The Board has identified the top risks of the Group and determined how much risk the Board is willing to take to achieve the Group's strategic objectives. During year 2016, an in-house internal audit department had been set up. In addition, the Group established a risk management system. Each business unit is required to identify and manage risks on a day-to-day basis as the first line of defence. Internal auditor, as the second line of defence, provides independent and objective assurance on the overall effectiveness of the internal control and risk management system.

The audit committee had reviewed the adequacy and effectiveness of the Group's risk management and internal controls system based on the review report issued by the internal auditor. The Board, through the review by the audit committee, considers that the Group's internal control and risk management system is effective and adequate.

CORPORATE GOVERNANCE REPORT

There are inherent limitations in any systems of risk management and internal control and accordingly the Group's 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.

There are also procedures including pre-clearance on dealing in the Group's securities by designated Directors, notification of regular blackout period and securities dealing restrictions to Directors and relevant employees, and dissemination of information for specified purpose and on a need-to-know basis have been implemented to guard against possible mishandling of inside information within the Group.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with all relevant laws and regulations in relation to the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the Securities and Futures Ordinance. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

BUSINESS MODEL AND STRATEGY

The Group has the mission to maintain long term profitability and assets growth with adoption of flexible business model and strategy and prudential risk and capital management framework. The Board has played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group in serving customers well with premium service quality; the Group's business strategic drive for business expansion and opportunities; and the Group's setting of strategic goals, priorities and initiatives undertaken to motivate staff to achieve business and financial targets. Details of the Group's Business Review and financial review in the year 2020 are set out in the "Chairman's Statement and Management Discussion and Analysis" section of this annual report.

DIVIDEND POLICY

Pursuant to the Dividend Policy of the Company, in deciding whether to propose/declare dividends and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- (a) the overall results of operation and financial performance of the Group;
- (b) the Group's expected working capital requirements, capital expenditure requirements and future development plans;
- (c) the Group's financial position, retained earnings and distributable reserves;
- (d) any restrictions on payment of dividends by the Company that may be imposed by the Group's lenders or creditors;
- (e) the interests of the Company's shareholders;
- (f) taxation considerations;
- (g) possible effects on the Company's creditworthiness;

CORPORATE GOVERNANCE REPORT

- (h) the general economic and other external factors that may have an impact on the future business and financial performance of the Group; and
- (i) any other factors that the Board may consider relevant and appropriate.

Any recommendation, declaration and payment of dividends are also subject to the compliance with any applicable laws and regulations, including but not limited to the laws of Bermuda and the Company's by-laws.

The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid in future. There is no assurance that dividends will be paid in any particular manner or amount for any given period.

AUDITORS' REMUNERATION

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence.

For the year ended 31 December 2020, the auditors of the Company received approximately HK\$450,000 for audit services and HK\$150,000 for non-audit services.

COMPANY SECRETARY

As at 31 December 2020, the company secretary of the Company, Mr. Li Ying Leung fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed, advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year ended 31 December 2020.

SHAREHOLDERS' RIGHTS

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

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

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

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CORPORATE GOVERNANCE REPORT

Procedures for putting forward proposals at shareholders' meeting

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

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's principal place of business in Hong Kong at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

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

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.

INVESTOR RELATIONS AND COMMUNICATION

The Company establishes different communication channels with shareholders and investors. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or SGM providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) the Company replies to enquiries from shareholders timely; and (iv) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

In fact, the Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. A separate resolution is proposed for each substantially separate issue at the AGM.

INDEPENDENT AUDITORS' REPORT

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

To the shareholders of Oriental Explorer Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Oriental Explorer Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 28 to 97, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of 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 2020, 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 (“HKSA”) 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.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS

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

Key audit matters

How our audit addressed the key audit matters

Valuation of investment properties

Refer to Note 16 to the consolidated financial statements.

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the estimates associated with determining the fair value.

As at 31 December 2020, the Group had investment properties at a carrying amount of approximately HK\$1,691,820,000 with a gain arising on change in fair value of investment properties amounting to HK\$2,500,000 recognised in the consolidated statement of profit or loss for the year then ended.

All of the Group's investment properties are stated at fair value based on valuations performed by an independent qualified professional valuer not connected with the Group.

The valuations were based on the direct comparison approach which involved the use of estimates and assumptions including recent sales price of similar properties with adjustments for any difference in location and condition of the properties.

Our key procedures in relation to the valuation of investment properties included:

- Communicating with the management about the valuation techniques adopted by the valuer, obtaining the valuation reports for all properties measured at fair value, and assessing the relevance and reasonableness of valuation techniques used by the valuer;
- Evaluating the appropriateness of the key input data used in the determination of fair value; comparing the key inputs to supporting evidence such as recent sale transaction on the market;
- Engaging an auditors' expert to assist our assessment on the appropriateness of the methodologies and the reasonableness of the assumptions and key input data adopted in the valuation; and
- Evaluating the independent qualified professional valuer's competence, capabilities and objectivity and reviewing their terms of engagement with the Group.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matters	How our audit addressed the key audit matters
<i>Business Combination</i>	
Refer to Notes 29 and 30 to the consolidated financial statements	
<p>On 31 July 2020, the Group acquired 100% interest in Reach Profit Investments Limited from a fellow subsidiary for a total consideration of approximately \$1,379,916,000. Accounting for business combination is complex and requires the recognition of both considerations paid and acquired assets and liabilities at the acquisition date at fair values, which can involve significant judgement and estimates.</p> <p>We identified assessing the accounting of the business combination as a key audit matter because of the significant impact the combination has on the consolidated financial statements.</p>	<p>Our key procedures in relation to the business combination included:</p> <ul style="list-style-type: none"> • Examining the master agreement and evaluating the management's accounting treatment for the acquisition with reference to the terms set out in the agreement. • Evaluating the appropriateness of the accounting treatment. • Discussing with management and the independent external valuer engaged by the Group in relation to the methodology and assumptions adopted in arriving at the fair value of net assets, to see whether the methodology and assumptions were reasonable. • Assessing the external valuer's qualifications, experience and expertise and considering their objectivity and independence. • Engaging an auditors' expert to assist our assessment on the valuation methodology adopted by the Group with reference to the requirement of the prevailing accounting standards, evaluating the appropriateness of the key input data used in the determination of fair value; comparing the key inputs to supporting evidence such as recent sale transaction on the market. • Assessing the disclosures in the consolidated financial statements in respect of the business combination.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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.

INDEPENDENT AUDITORS' REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Hui Chun Keung, David.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i> (Restated)
CONTINUING OPERATIONS			
REVENUE	5	14,748	5,080
Cost of sales		<u>(2,482)</u>	<u>(1,149)</u>
Gross profit		12,266	3,931
Other income and gains	5	609	245
Foreign exchange differences, net		6	(3)
Fair value gains on investment properties, net		2,500	15,470
Operating and administrative expenses		(8,059)	(7,561)
Finance costs	7	–	–
Share of losses of an associate		–*	(1)
		<u> </u>	<u> </u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	7,322	12,081
Income tax expense	10	<u>(2,211)</u>	<u>(425)</u>
		<u> </u>	<u> </u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<u>5,111</u>	<u>11,656</u>
DISCONTINUED OPERATION			
(Loss)/profit for the year from a discontinued operation	11	<u>(120,515)</u>	<u>40,389</u>
		<u> </u>	<u> </u>
(LOSS)/PROFIT FOR THE YEAR		<u>(115,404)</u>	<u>52,045</u>
Attributable to:			
Owners of the Company		<u>(115,404)</u>	<u>52,045</u>
		<u> </u>	<u> </u>
(LOSS)/EARNINGS PER SHARE			
Basic and diluted			
– For (loss)/profit for the year	13	HK(3.61) cents	HK1.93 cents
– For profit from continuing operations	13	HK0.16 cents	HK0.43 cents
		<u> </u>	<u> </u>

* The amount is less than HK\$1,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
(LOSS)/PROFIT FOR THE YEAR	<u>(115,404)</u>	<u>52,045</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(321)</u>	<u>–</u>
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods	<u>(321)</u>	<u>–</u>
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investments at fair value through other comprehensive income:		
Changes in fair value	<u>85,691</u>	<u>13,816</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>85,691</u>	<u>13,816</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>85,370</u>	<u>13,816</u>
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>(30,034)</u></u>	<u><u>65,861</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	14	38	33
Right-of-use assets	15(a)	357	366
Investment properties	16	1,691,820	282,780
Investment in an associate	17	–	2,066
Club debenture		330	670
Equity investments at fair value through other comprehensive income	18	–	706,028
Total non-current assets		1,692,545	991,943
CURRENT ASSETS			
Trade receivables	19	600	–
Prepayments, deposits and other receivables	20	1,472	951
Equity investments at fair value through profit or loss	21	98	561,180
Cash and cash equivalents	22	161,116	200,981
Total current assets		163,286	763,112
TOTAL ASSETS		1,855,831	1,755,055
CURRENT LIABILITIES			
Other payables and accruals	23	15,919	6,679
Other borrowings	24	–	291,408
Promissory notes	25	148,639	–
Amounts due to fellow subsidiaries		150,149	–
Tax payable		5,378	3,818
Total current liabilities		320,085	301,905
NET CURRENT (LIABILITIES)/ASSETS		(156,799)	461,207
TOTAL ASSETS LESS CURRENT LIABILITIES		1,535,746	1,453,150
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	24,291	3,844
Total non-current liabilities		24,291	3,844
Net assets		1,511,455	1,449,306
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	38,818	27,000
Reserves		1,472,637	1,422,306
Total equity		1,511,455	1,449,306

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the Company						Total equity HK\$'000
	Issued capital HK\$'000 (Note 27)	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Fair value reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2019	27,000	498,761	546	523,499	(598)	334,237	1,383,445
Profit for the year	-	-	-	-	-	52,045	52,045
Other comprehensive income for the year:							
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	13,816	-	-	13,816
Total comprehensive income for the year	-	-	-	13,816	-	52,045	65,861
At 31 December 2019	<u>27,000</u>	<u>498,761*</u>	<u>546*</u>	<u>537,315*</u>	<u>(598)*</u>	<u>386,282*</u>	<u>1,449,306</u>
At 1 January 2020	27,000	498,761	546	537,315	(598)	386,282	1,449,306
Loss for the year	-	-	-	-	-	(115,404)	(115,404)
Other comprehensive income for the year:							
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	85,691	-	-	85,691
Exchange differences on translation of foreign operations	-	-	-	-	(321)	-	(321)
Total comprehensive expenses for the year	-	-	-	85,691	(321)	(115,404)	(30,034)
Share issuance	11,818	80,365	-	-	-	-	92,183
Disposal of subsidiaries	-	-	-	(623,006)	670	622,336	-
At 31 December 2020	<u>38,818</u>	<u>579,126*</u>	<u>546*</u>	<u>-*</u>	<u>(249)*</u>	<u>893,214*</u>	<u>1,511,455</u>

* These reserve accounts comprise the consolidated reserves of approximately HK\$1,472,637,000 (2019: approximately HK\$1,422,306,000) in the consolidated statement of financial position.

The exchange fluctuation reserve of the Group comprises exchange differences arising from the translation of the financial statements of foreign operations.

The fair value reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax:			
From continuing operations		7,322	12,081
From a discontinued operation	<i>11</i>	(120,515)	40,389
Adjustments for:			
Finance costs		425	3,016
Share of losses of an associate		—*	1
Interest income		(103)	(245)
Dividend income from listed investments		(4,864)	(26,494)
Depreciation of property, plant and equipment		3	9
Changes in fair value of investment properties		(2,500)	(15,470)
Depreciation of right-of-use assets		9	9
Impairment of club debenture		340	—
Fair value losses/(gains) on equity investments at fair value through profit or loss, net		124,638	(17,238)
		4,755	(3,942)
Decrease in trade receivables		47	—
Increase in prepayments, deposits and other receivables		(2,352)	(32)
Decrease in equity investments at fair value through profit or loss		—	63,581
Increase in amounts due to fellow subsidiaries		244,009	—
Increase in other payables and accruals		757	36
Cash generated from operations		247,216	59,643
Dividends received from listed investments		4,864	26,494
Hong Kong profits tax paid		(395)	—
Net cash flows from operating activities		251,685	86,137
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	<i>29</i>	1,914	—
Disposal of subsidiaries	<i>30</i>	(1,826)	—
Interest received		234	273
Net cash flows from investing activities		322	273

* The amount is less than HK\$1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in short-term revolving loans	24	(291,408)	(84,582)
Interest paid		<u>(464)</u>	<u>(3,110)</u>
Net cash flows used in financing activities		<u>(291,872)</u>	<u>(87,692)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		200,981	(1,282) 202,263
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>161,116</u>	<u>200,981</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	10,611	981
Non-pledged deposits with original maturity of less than three months when acquired	22	<u>150,505</u>	<u>200,000</u>
Cash and cash equivalents		<u>161,116</u>	<u>200,981</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

Oriental Explorer Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is located at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong. The shares of the Company are listed on the Hong Kong Stock Exchange.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- property investment; and
- investment holding.

In the opinion of the directors, the holding company of the Company is Limitless Investment Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Conrad Shipping Limited	Hong Kong	HK\$1	–	100 (2019: Nil)	Property investment
Golden Charter International Limited	Hong Kong	HK\$2	–	100 (2019: Nil)	Property investment
Goodrich Properties Limited	Hong Kong	HK\$2	–	100 (2019: Nil)	Property investment
Grandfield Nominees Limited	Hong Kong	HK\$1,000,000	–	100 (2019: Nil)	Property investment
Keen2learn.com International Limited	Hong Kong	HK\$2	–	100	Property investment
Lau & Partners Consultants Limited	Hong Kong/ Mainland China	HK\$10,000	–	100 (2019: Nil)	Property investment
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$20,000,000	–	100	Investment holding
Linkful Management Services Limited	Hong Kong	HK\$2	–	100	Provision of management services
Linkful (PRC) Investments Limited	Hong Kong	HK\$2	–	100	Investment holding

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Linkful Properties Company Limited	Hong Kong/ Mainland China	HK\$2	–	100	Property investment
Linkful Secretarial Services Limited	Hong Kong	HK\$10,000	–	100	Property investment
Linkful Strategic Investment Limited	British Virgin Islands	US\$1	– (2019: 100)	–	Investment holding
Maxlord Limited	Hong Kong	HK\$10,000	–	100 (2019: Nil)	Property investment
Multifield Contracting Limited	Hong Kong	HK\$10,000	–	100 (2019: Nil)	Property investment
Multifield Property Agency Limited	Hong Kong	HK\$2	–	100 (2019: Nil)	Property investment
Power Earning Limited	Hong Kong	HK\$1	–	100	Property investment
Reach Profit Investments Limited	British Virgin Islands	US\$1	100 (2019: Nil)	–	Investment holding
Rich Century Development Limited	Hong Kong	HK\$1	–	100	Property investment
Silver Nominees Limited	Hong Kong	HK\$2	–	100 (2019: Nil)	Property investment
Snowdon Worldwide Limited	British Virgin Islands	US\$1	–	– (2019:100)	Investment holding
Tellink Development Limited	Hong Kong	HK\$100	–	100 (2019: Nil)	Property investment
Verywell Properties Limited	British Virgin Islands/ Hong Kong	US\$1	–	100 (2019: Nil)	Property investment

During the year, the Group acquired Reach Profit Investments Limited from intermediate holding company. For the details of this acquisition are included in Notes 29 and 33(b) to the consolidated financial statements.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value.

These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework")

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

Amendments to HKFRS 3

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁵</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions⁴</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{3, 7}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{3, 6}</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to HKFRSs 2018 – 2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41²</i>

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ No mandatory effective date yet determined but available for adoption

⁶ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁷ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and OCI of associates is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	5% or over the lease terms, if shorter
Leasehold improvements	Over the lease terms
Furniture, fixtures and office equipment	20% – 33 ¹ / ₃ %
Motor vehicles	20% – 25%

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

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

(b) Lease liabilities

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement (continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

General approach

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

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

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

Simplified approach

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals, other borrowings, promissory notes and amounts due to fellow subsidiaries.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Income tax

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grant is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate option pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiary which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of their payroll costs to the central pension scheme. The only obligation of the Group with respect to the central pension scheme is to pay the ongoing contributions under the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Employment Ordinance long service payments

Certain of the Group’s employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of the reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

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

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

The functional currencies of certain overseas subsidiaries and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollar at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollar at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in OCI and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, management of the Group has reviewed the Group's investment properties and concluded that the certain of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time. Therefore, in determining the Group's deferred taxation on these investment properties, the directors have determined that the presumption that these investment properties measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on management's best estimate assuming future tax consequences through usage of such properties of rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties be subsequently disposed by the Group, rather than all of the economic benefits embodied in the investment properties are consumed substantially by leasing over time. In the event the investment properties are being disposed of, the Group may be liable to higher tax upon disposal considering the impact of corporate income tax and land appreciation tax.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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

Impairment of receivables

The Group estimates the amount of impairment loss for trade receivables and other receivables by assessing the ECLs. The ECLs for trade receivables and other receivables are based on assumptions about risk of default and expected loss rates. The Group makes these assumptions and selects 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. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in Notes 19, 20 and 36 to the consolidated financial statements.

Estimation of fair value of investment properties

As described in Note 16 to the consolidated financial statements, the investment properties were revalued at the end of the reporting period based on the appraised market value provided by an independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Income taxes and deferred taxation

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be recognised. The outcome of their actual recognition may be different.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one (2019: two) reportable operating segments as follows:

Continuing operations:

- the property investment segment mainly comprises rental income from investment properties; and

Discontinued operation:

- the trading and investments segment includes the trading of securities and investment income from securities investment and investment holding.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss/gain before tax except that unallocated corporate expenses, interest income on bank deposits, fair value losses/gains on investment properties, share of losses of an associate, non-lease-related finance costs and other gains are excluded from such measurement.

During the year ended 31 December 2020, the Group has a reorganisation plan by transferring all its equity interest to other members of the Group. Further details on the disposal are included in Note 11. Subsequent to the reorganisation, the Group has decided to focus its resources on its property investments business. As the Group's trading and investment business after the disposal has decreased substantially, management no longer independently review this line of business. As such, result from trading and investment business is now included in "Unallocated" for current year's presentation.

Segment assets exclude cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowings (other than lease liabilities), promissory notes, amounts due to fellow subsidiaries, tax payable, deferred tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

4. OPERATING SEGMENT INFORMATION (continued)

Years ended 31 December 2020 and 2019

	Continuing operations		Discontinued operation		Total	
	Property investment		Trading and investment			
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)		(Restated)	
Segment revenue (Note 5)						
Revenue from external customers	<u>14,709</u>	<u>5,116</u>	<u>(119,813)</u>	<u>43,768</u>	<u>(105,104)</u>	<u>48,884</u>
Segment results	<u>13,459</u>	<u>3,335</u>	<u>(120,093)</u>	<u>43,380</u>	<u>(106,634)</u>	<u>46,715</u>
<i>Reconciliation:</i>						
Unallocated revenue					39	(36)
Unallocated corporate expenses					(9,285)	(6,932)
Interest income on bank deposits					103	245
Other gains					509	25
Fair value gains on investment properties, net	2,500	15,470	-	-	2,500	15,470
Finance costs (other than on lease liabilities)					(425)	(3,016)
Share of losses of an associate	-*	(1)	-	-	-*	(1)
(Loss)/profit before tax					<u>(113,193)</u>	<u>52,470</u>
Segment assets	1,701,268	282,901	-	1,267,148	1,701,268	1,550,049
<i>Reconciliation:</i>						
Unallocated assets					154,563	202,940
Investment in an associate					-	2,066
Total assets					<u>1,855,831</u>	<u>1,755,055</u>
Segment liabilities	10,392	1,316	-	39	10,392	1,355
<i>Reconciliation:</i>						
Unallocated liabilities					333,984	304,394
Total liabilities					<u>344,376</u>	<u>305,749</u>

* The amount is less than HK\$1,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION (continued)

Years ended 31 December 2020 and 2019 (continued)

	Continuing operations Property investment		Discontinued operation Trading and investment		Unallocated		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000
Other segment information:								
Depreciation and amortisation	1	1	-	-	11	17	12	18
Fair value gains on investment properties, net	2,500	15,470	-	-	-	-	2,500	15,470
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	-	-	(124,677)	17,274	39	(36)	(124,638)	17,238

Geographical information

(a) Revenue from external customers

	Continuing operations		Discontinued operation		Total	
	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000 (Restated)
Hong Kong	14,649	5,080	(119,813)	43,768	(105,164)	48,848
Mainland China	99	-	-	-	99	-
	<u>14,748</u>	<u>5,080</u>	<u>(119,813)</u>	<u>43,768</u>	<u>(105,065)</u>	<u>48,848</u>

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

(b)

	Hong Kong		Mainland China		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets	<u>1,669,558</u>	<u>282,813</u>	<u>22,657</u>	<u>366</u>	<u>1,692,215</u>	<u>283,179</u>

The non-current asset information above is based on the locations of assets and excludes financial instruments, investment in an associate and club debenture.

Information about a major customer

Revenue from continuing operations of approximately HK\$3,432,000 (2019: approximately HK\$3,317,000) was derived from lease rental by the property investment segment to a single customer, including lease to a group of entities which are known to be under common control with that customer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 HK\$'000	2019 HK\$'000 (Restated)
Continuing operations:		
Rental income from property letting under fixed lease payments	14,709	5,116
Fair value gains/(losses) on equity investments at fair value through profit or loss, net	<u>39</u>	<u>(36)</u>
	<u>14,748</u>	<u>5,080</u>
Discontinued operation:		
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	(124,677)	17,274
Dividend income from listed investments	<u>4,864</u>	<u>26,494</u>
	<u>(119,813)</u>	<u>43,768</u>
Other income and gains		
Continuing operations:		
Interest income on bank deposits	103	245
Government grants (<i>Note</i>)	452	–
Others	<u>54</u>	<u>–</u>
	<u>609</u>	<u>245</u>
Discontinued operation:		
Others	<u>3</u>	<u>25</u>
	<u>3</u>	<u>25</u>

Note: During the current year, the Group recognised government grants of approximately HK\$452,000 in respect of Covid-19-related subsidies, of which all relates to Employment Support Scheme provided by the Hong Kong government.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Depreciation of property, plant and equipment	3	9
Depreciation of right-of-use assets	9	9
Impairment of club debenture (<i>Note (i)</i>)	340	–
Expense relating to short-term leases not included in the measurement of lease liabilities	725	600
Auditors' remuneration – audit services	450	310
Auditors' remuneration – non-audit services	150	–
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	2,415	1,149
Foreign exchange differences, net	<u>(6)</u>	<u>3</u>
Employee benefit expense (including directors' and chief executive's remuneration):		
Salaries, wages and other benefits	4,115	5,369
Pension scheme contributions (defined contribution scheme) (<i>Note (ii)</i>)	<u>111</u>	<u>120</u>
Total staff costs	<u>4,226</u>	<u>5,489</u>

Notes:

- (i) The directors of the Company consider HK\$340,000 (2019: Nil) impairment identified with reference to the second hand market price of the club debenture as at 31 December 2020.
- (ii) At 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2019: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Discontinued operation: Interest on other loans	<u>425</u>	<u>3,016</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of directors' and chief executive's remuneration for the years are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fees	<u>252</u>	<u>252</u>
Other emoluments:		
Salaries, allowances and benefits in kind	1,610	2,875
Pension scheme contributions	<u>11</u>	<u>18</u>
	<u>1,621</u>	<u>2,893</u>
	<u><u>1,873</u></u>	<u><u>3,145</u></u>

(a) Independent non-executive directors

The fees paid to the independent non-executive directors during the years were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Mr. Wong Yim Sum	84	84
Mr. Lee Siu Man, Ervin	84	84
Mr. Tsui Ka Wah	<u>84</u>	<u>84</u>
	<u><u>252</u></u>	<u><u>252</u></u>

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2020				
Executive directors:				
Mr. Lau Chi Yung, Kenneth	–	1,610	11	1,621
Mr. Lau Michael Kei Chi (Chief executive)	–	–	–	–
	<u>–</u>	<u>1,610</u>	<u>11</u>	<u>1,621</u>
2019				
Executive directors:				
Mr. Lau Chi Yung, Kenneth	–	2,875	18	2,893
Mr. Lau Michael Kei Chi (Chief executive)	–	–	–	–
	<u>–</u>	<u>2,875</u>	<u>18</u>	<u>2,893</u>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2019: one) director and the chief executive, details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are neither a director nor chief executive of the Company for the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,386	1,250
Pension scheme contributions	64	61
	<u>1,450</u>	<u>1,311</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2020	2019
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rate of tax prevailing in Mainland China, in which the Group operates.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	1,094	–
Deferred tax (<i>Note 26</i>)	1,117	425
	<u>2,211</u>	<u>425</u>
Total tax charges for the year from continuing operations	2,211	425
Total tax charges for the year from a discontinued operation	–	–
	<u>2,211</u>	<u>425</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to (loss)/profit before tax at the applicable rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are determined to the tax expenses at the effective tax rate is as follows:

2020	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Profit before tax from continuing operations	7,243	79	7,322
Loss before tax from a discontinued operation	<u>(120,515)</u>	<u>–</u>	<u>(120,515)</u>
Tax at the applicable tax rate	(18,690)	20	(18,670)
Lower tax rate for specific provinces or enacted by local authority	(40)	–	(40)
Income not subject to tax	(100)	(25)	(125)
Expenses not deductible for tax	20,072	5	20,077
Tax losses utilised from previous periods	(573)	–	(573)
Tax losses not recognised	885	–	885
Effect of PRC land appreciation tax	–	(120)	(120)
Others	<u>777</u>	<u>–</u>	<u>777</u>
Tax charge/(credit) at the Group's effective rate	<u>2,331</u>	<u>(120)</u>	<u>2,211</u>
Tax charge/(credit) from continuing operations at effective rate	<u>2,331</u>	<u>(120)</u>	<u>2,211</u>
Tax charge from a discontinued operation at effective rate	<u>–</u>	<u>–</u>	<u>–</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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10. INCOME TAX (continued)

2019	Hong Kong HK\$'000 (Restated)	Mainland China HK\$'000	Total HK\$'000 (Restated)
Profit before tax from continuing operations	12,081	–	12,081
Profit before tax from a discontinued operation	40,389	–	40,389
Tax at the applicable tax rate	8,658	–	8,658
Income not subject to tax	(9,823)	–	(9,823)
Expenses not deductible for tax	17	–	17
Tax losses not recognised	1,573	–	1,573
Tax charge at the Group's effective rate	425	–	425
Tax charge from continuing operations at effective rate	425	–	425
Tax charge from a discontinued operation at effective rate	–	–	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

11. DISCONTINUED OPERATION

On 31 July 2020, the Company disposed a 100% interest in Linkful Strategic Investment Limited (the “Linkful Strategic”) to intermediate holding of the Company. Linkful Strategic and its subsidiaries is engaged in investment holding. After disposal of Linkful Strategic, the Group has decided to cease its trading and investments business because it plans to focus its resources on its properties investments business. The disposal of Linkful Strategic is completed on 31 July 2020.

The results of Linkful Strategic as below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	(119,813)	43,768
Cost of sales	<u>–</u>	<u>–</u>
Gross (loss)/profit	(119,813)	43,768
Other income and gains	3	25
Operating and administrative expenses	(280)	(388)
Finance costs	<u>(425)</u>	<u>(3,016)</u>
(Loss)/profit before tax from a discontinued operation	(120,515)	40,389
Income tax expense	<u>–</u>	<u>–</u>
(Loss)/profit for the year from a discontinued operation	<u><u>(120,515)</u></u>	<u><u>40,389</u></u>

The net cash flows incurred by Linkful Strategic are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Operating activities	293,667	87,304
Investing activities	–	–
Financing activities	<u>(291,872)</u>	<u>(87,731)</u>
Net cash inflow/(outflow)	<u><u>1,795</u></u>	<u><u>(427)</u></u>
(Loss)/earnings per share:		
Basic and diluted, from the discontinued operation	<u><u>HK(3.77) cents</u></u>	<u><u>HK1.50 cents</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

11. DISCONTINUED OPERATION *(continued)*

The calculations of basic and diluted (loss)/earnings per share from the discontinued operation are based on:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit attributable to Owners of the Company	<u>(120,515)</u>	<u>40,389</u>
	Number of shares	
	2020 '000	2019 '000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation <i>(Note 13)</i>	<u>3,194,046</u>	<u>2,700,000</u>

12. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Proposed final dividend – HK0.2 cents (2019: Nil) per ordinary share	<u>7,764</u>	–
	<u>7,764</u>	–

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 27 May 2021, dividend warrants will be posted on or about 24 June 2021 to shareholders whose names appear on the register of members of the Company on 4 June 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK\$115,404,000 (2019: profit for the year of approximately HK\$52,045,000), and the weighted average number of ordinary shares of 3,194,046,198 (2019: 2,700,000,000) in issue during the year.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there is no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	5,111	11,656
From a discontinued operation	(120,515)	40,389
	<u> </u>	<u> </u>
(Loss)/profit attributable to ordinary equity holders of the Company	(115,404)	52,045
	<u> </u>	<u> </u>
Attributable to:		
Continuing operations	5,111	11,656
Discontinued operation	(120,515)	40,389
	<u> </u>	<u> </u>
	(115,404)	52,045
	<u> </u>	<u> </u>
	Number of shares	
	2020	2019
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,194,046	2,700,000
	<u> </u>	<u> </u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2020				
At 31 December 2019 and at 1 January 2020:				
Cost	746	8	5,430	6,184
Accumulated depreciation	<u>(746)</u>	<u>(7)</u>	<u>(5,398)</u>	<u>(6,151)</u>
Net carrying amount	<u><u>–</u></u>	<u><u>1</u></u>	<u><u>32</u></u>	<u><u>33</u></u>
At 1 January 2020, net of accumulated depreciation				
Addition	2	6	–	8
Depreciation provided during the year	<u>–</u>	<u>(3)</u>	<u>–</u>	<u>(3)</u>
At 31 December 2020, net of accumulated depreciation	<u><u>2</u></u>	<u><u>4</u></u>	<u><u>32</u></u>	<u><u>38</u></u>
At 31 December 2020:				
Cost	748	14	5,430	6,192
Accumulated depreciation	<u>(746)</u>	<u>(10)</u>	<u>(5,398)</u>	<u>(6,154)</u>
Net carrying amount	<u><u>2</u></u>	<u><u>4</u></u>	<u><u>32</u></u>	<u><u>38</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2019				
At 1 January 2019:				
Cost	746	8	5,430	6,184
Accumulated depreciation	(746)	(6)	(5,390)	(6,142)
Net carrying amount	—	2	40	42
At 1 January 2019, net of accumulated depreciation				
Depreciation provided during the year	—	(1)	(8)	(9)
At 31 December 2019, net of accumulated depreciation				
	—	1	32	33
At 31 December 2019:				
Cost	746	8	5,430	6,184
Accumulated depreciation	(746)	(7)	(5,398)	(6,151)
Net carrying amount	—	1	32	33

15. LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land <i>HK\$'000</i>
As at 1 January 2019	375
Depreciation charge	(9)
As at 31 December 2019 and 1 January 2020	366
Depreciation charge	(9)
As at 31 December 2020	357

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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15. LEASES (continued)

The Group as a lessee (continued)

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 HK\$'000	2019 HK\$'000
Depreciation charge of right-of-use assets	9	9
Expense relating to short-term leases	<u>725</u>	<u>600</u>
Total amount recognised in profit or loss	<u><u>734</u></u>	<u><u>609</u></u>

The Group regularly entered into short-term leases for office premise. The Group does not recognise right-of-use assets and lease liabilities in regard of these short-term leases. The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease terms. There is no renewal options and variable lease payments included in the lease agreement.

For the year ended 31 December 2020, total cash outflow for leases amounts to approximately HK\$725,000 (2019: HK\$600,000).

The Group as a lessor

The Group leases its investment properties (*Note 16*) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was approximately HK\$14,709,000 (2019: HK\$5,116,000), details of which are included in Note 5 to the consolidated financial statements.

At 31 December 2020 and 2019, the undiscounted lease payments receivable by the Group in the future periods under non-cancellable operating leases with its tenants are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	18,719	2,758
In the second year	8,074	–
In the third year	<u>1,268</u>	<u>–</u>
	<u><u>28,061</u></u>	<u><u>2,758</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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16. INVESTMENT PROPERTIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying amount at 1 January	282,780	267,310
Addition from business combination	1,406,540	–
Net gain from fair value adjustments	<u>2,500</u>	<u>15,470</u>
Carrying amount at 31 December	<u><u>1,691,820</u></u>	<u><u>282,780</u></u>

The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., car parking spaces, commercial properties, residential properties and industrial properties, based on the nature, characteristics and risk of each property.

The fair value of the Group's investment properties situated in Hong Kong at 31 December 2020 had been arrived at based on a valuation carried out on that date by Ravia Global Appraisal Advisory Limited, the independent professional qualified valuer not connected to the Group.

The fair value of the Group's investment properties were revalued by Ravia Global Appraisal Advisory Limited on 31 December 2020. The valuation was determined using the direct comparison method by making reference to comparable market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. There has been no change from the valuation techniques used in the prior year.

The key input was the market price per square feet or per car parking space. The valuation takes into account the characteristics which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

Management reviews the valuation performed by the independent valuer for financial reporting purposes on a yearly basis. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuer. Management considers that the current use of investment properties equates the highest and best use.

Further particulars of the Group's investment properties are included on pages 116 to 118.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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16. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
2020				
Car parking spaces	–	50,200	–	50,200
Commercial properties	–	897,800	–	897,800
Residential properties	–	199,000	–	199,000
Industrial properties	–	544,820	–	544,820
	–	1,691,820	–	1,691,820
2019				
Car parking spaces	–	8,100	–	8,100
Commercial properties	–	124,100	–	124,100
Residential properties	–	96,100	–	96,100
Industrial properties	–	54,480	–	54,480
	–	282,780	–	282,780

During the year ended 31 December 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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17. INVESTMENT IN AN ASSOCIATE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Share of net assets	–	2,066

Particulars of the Group's associate were as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group %	Principal activities
Call Rich Investments Limited	12,520 ordinary shares of US\$1 each	British Virgin Islands	– (2019: 25.04)	Investment holding

The Group's shareholdings in the associate's equity shares were indirectly held by the Company through wholly-owned subsidiary.

The Group's associate was accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the Group's associate extracted from their financial statements:

	2019 <i>HK\$'000</i>
Current assets	9,660
Non-current assets	–
Current liabilities	(499)
Non-current liabilities	–
Non-controlling interests	(912)
Net assets	<u>8,249</u>
 Reconciliation to the Group's interest in the associate:	
Group's share of net assets of the associate	25.04%
Carrying amount of the investment	<u>2,066</u>
 Revenues	
Loss for the year	(5)
Other comprehensive expenses for the year	–
Total comprehensive expense for the year	(5)
Dividend received	<u>–</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Equity investments at fair value through other comprehensive income		
Unlisted equity investment, at fair value	–	706,028

The above unlisted equity investments represent the Group's equity interests in private entities established in the British Virgin Islands. The directors of the Company had elected to designate these investments in equity investments at fair value through other comprehensive income ("FVTOCI") as they believed that these investments were not held for trading.

On 31 July 2020, the Group sold all equity investments at fair value through other comprehensive income because it planned to focus its resources on its properties investments business. Details of the disposal are included in Note 30 to the consolidated financial statements.

In the opinion of the directors, fair value hierarchy of the equity investments as at FVTOCI was at Level 3 at 31 December 2019. Details of disclosure for fair value measurement set out in Note 35 to the consolidated financial statements.

19. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	600	–
Less: loss allowance	–	–
	<u>600</u>	<u>–</u>

Trade receivables mainly consists of receivables from rental receivables, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amount ranging from two to three months' rentals in order to secure any default in their rental payments. The Group does not hold any other collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	130	–
1 to 2 months	15	–
2 to 3 months	–	–
Over 3 months	455	–
	<u>600</u>	<u>–</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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19. TRADE RECEIVABLES (continued)

At 31 December 2020 and 2019, the allowance for credit loss represents lifetime ECL recognised for trade receivables under simplified approach. Details of impairment assessment of trade receivables for the year ended 31 December 2020 and 2019 are set out in Note 36 to the consolidated financial statements. No loss allowance on trade receivables is recognised as at 31 December 2020 (2019: Nil).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2020 and 2019, the allowance for credit loss represents a 12-month ECL recognised for deposits and other receivables under general approach. Details of impairment assessment of deposits and other receivables for the year ended 31 December 2020 and 2019 are set out in Note 36 to the consolidated financial statements. No loss allowance on deposits and other receivables is recognised as at 31 December 2020 (2019: Nil).

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to other receivables for which there was no recent history of default.

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Listed equity investments, at fair value	<u>98</u>	<u>561,180</u>

The above listed equity investments at 31 December 2020 and 2019 were classified as equity investments at fair value through profit or loss as they were held for trading.

At 31 December 2020, certain of the Group's listed equity investments with a carrying amount of Nil (2019: approximately HK\$560,812,000) were pledged to secure the Group's other loans, as further detailed in Note 24 to the consolidated financial statements.

22. CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	10,611	981
Time deposits with original of maturity less than three months	<u>150,505</u>	<u>200,000</u>
Cash and cash equivalents	<u>161,116</u>	<u>200,981</u>

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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23. OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accruals	3,600	3,650
Other payables	12,319	3,029
	<u>15,919</u>	<u>6,679</u>

Other payables are non-interest-bearing and repayable on demand.

24. OTHER BORROWINGS

	2020			2019		
	Contractual interest rate (%)	Maturity	<i>HK\$'000</i>	Contractual interest rate (%)	Maturity	<i>HK\$'000</i>
Current liabilities						
Secured short term loans denominated in Hong Kong dollar	–	–	–	4.86	2020	<u>291,408</u>

The scheduled principal repayment dates of the Group with reference to the loan agreements and ignore the effect of any repayment on-demand clause are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysed into:		
Other borrowings repayable within one year	–	<u>291,408</u>

At 31 December 2019, the Group's other loans with investment banks are secured by certain cash deposits and investments with an aggregate carrying value of approximately HK\$560,812,000, and revolving on a weekly basis.

25. PROMISSORY NOTES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Promissory notes	<u>148,639</u>	–

On 31 July 2020 and 30 September 2020, the Company issued promissory notes with a principal amount of approximately HK\$147,773,000 and HK\$866,000, respectively, as part of the consideration to acquire a 100% interest in Reach Profit Investments Limited.

The promissory notes were unsecured and interest free. The promissory notes will be matured within one year from the date of issue, being 31 July 2021 and 30 September 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	3,419	–	3,419
Deferred tax charged to the statement of profit or loss during the year (<i>Note 10</i>)	<u>425</u>	<u>–</u>	<u>425</u>
At 31 December 2019 and 1 January 2020	3,844	–	3,844
Addition from business combination (<i>Note 29</i>)	14,200	4,809	19,009
Deferred tax charged to the statement of profit or loss during the year (<i>Note 10</i>)	1,237	(120)	1,117
Exchange realignment	<u>–</u>	<u>321</u>	<u>321</u>
At 31 December 2020	<u>19,281</u>	<u>5,010</u>	<u>24,291</u>

The Group has tax losses arising in Hong Kong of approximately HK\$118,251,000 (2019: approximately HK\$244,919,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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27. SHARE CAPITAL

Shares

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
3,881,836,004 ordinary shares (2019: 2,700,000,000 ordinary shares) of HK\$0.01 each	<u>38,818</u>	<u>27,000</u>

A summary of movements in the Company's share capital is as follows:

	Number of share in issue '000	Share capital <i>HK\$'000</i>
At 1 January 2019, 31 December 2019 and 1 January 2020	2,700,000	27,000
Share issuance (<i>Note</i>)	<u>1,181,836</u>	<u>11,818</u>
At 31 December 2020	<u>3,881,836</u>	<u>38,818</u>

Note: As at 31 July 2020, 1,181,836,004 shares were issued as a consideration of business combination, details of the business combination included in Note 29 to the consolidation financial statements.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 28 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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28. SHARE OPTION SCHEME

The Group's share option scheme (the "2013 Scheme") was adopted pursuant to a resolution passed on 30 May 2013 for the primary purpose of providing incentives to eligible participants.

The 2013 Scheme

The Company operates the 2013 Scheme for the purpose of, among others, is to recognise and motivate the contribution of eligible participants to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. Eligible participants of the 2013 Scheme include any (full-time or part-time) employee, including, without limitation, any executive and non-executive director or proposed executive and non-executive director of the Group, and any adviser, consultant, agent, contractor, client, customer or supplier or any member of the Group. The 2013 Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from 30 May 2013.

The total number of securities available for issue under the 2013 Scheme is 180,000,000, which is equivalent to 10% of the issued share capital of the Company at the date of adoption of the 2013 Scheme. The maximum number of shares issuable under share options to each eligible participant in the 2013 Scheme within any 12-month period, is limited to 1% of the shares of the Company for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 business days from the date of the offer upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the 2013 Scheme, if earlier.

The exercise price of the share options is determined by the board of directors, but may be not less than the higher of (i) the nominal value of the shares; (ii) the Hong Kong Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options under the 2013 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2013 Scheme.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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29. BUSINESS COMBINATION

On 31 July 2020, the Company acquired a 100% interest in Reach Profit Investments Limited (the “Reach Profit”) from intermediate holding company of the Company. Reach Profit is engaged in investment holding and its subsidiaries is engaged in property investment. The acquisition was made as part of the Group’s strategy to expand its investment properties portfolio. The purchase consideration approximately HK\$1,379,916,000 for the acquisition was in the form of consideration of disposal of a subsidiary amounting to approximately HK\$1,139,094,000, issuance of share 1,181,836,004 on 31 July 2020 and the remaining approximately HK\$148,639,000 in the form of issuance of interest-free promissory notes.

The fair values of the identifiable assets and liabilities of Reach Profit and its subsidiaries as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK\$’000
Property, plant and equipment	8
Investment properties	1,406,540
Trade receivables	647
Prepayments, other receivables and other assets	523
Cash and cash equivalents	1,914
Trade payables	(42)
Other payables and accruals	(8,480)
Tax payable	(2,185)
Deferred tax liabilities	(19,009)
	<hr/>
Total identifiable net assets at fair value	1,379,916
Satisfied by:	
Issuance of share	92,183
Issuance of interest-free promissory notes	148,639
Consideration of disposal of subsidiaries (<i>Note 30</i>)	1,139,094
	<hr/>
	<u>1,379,916</u>

The fair values of the trade receivables and prepayments, other receivables and other assets as at the date of acquisition amounted to approximately HK\$647,000 and approximately HK\$523,000, respectively. The gross contractual amounts of trade receivables and prepayments, other receivables and other assets were approximately HK\$647,000 and approximately HK\$523,000, respectively.

The Group incurred transaction costs of approximately HK\$1,025,000 for this acquisition. These transaction costs have been expensed and are included in Operating and administrative expenses in the consolidated statement of profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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29. BUSINESS COMBINATION *(continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	–
Cash and bank balances acquired	1,914
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,914
Transaction costs of the acquisition included in cash flows from operating activities	(1,025)
	889

Since the acquisition, Reach Profit and its subsidiaries contributed approximately HK\$9,820,000 to the Group's revenue and approximately HK\$9,133,000 to the consolidated profit for the year ended 31 December 2020. Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been approximately HK\$17,677,000 and approximately HK\$15,640,000, respectively.

30. DISPOSAL OF SUBSIDIARIES

	2020 <i>HK\$'000</i>
Net assets disposed of:	
Investment in an associate	2,066
Equity investments at fair value through other comprehensive income	791,719
Equity investments at fair value through profit or loss	436,443
Other receivable	2,224
Cash and cash equivalents	1,826
Amount due to a director	(93,860)
Tax payable	(1,324)
	1,139,094
Satisfied by:	
as part of purchase consideration of Reach Profit <i>(Note 29)</i>	1,139,094

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020 <i>HK\$'000</i>
Cash consideration	–
Cash and bank balances disposed	(1,826)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(1,826)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash business combination and disposal of subsidiaries of approximately HK\$1,379,916,000 (2019: Nil) and approximately HK\$1,139,094,000 (2019: Nil), respectively. Further details of the transaction are included in Notes 29 and 30 to the consolidated financial statements.

(b) Changes in liabilities arising from financing activities:

	As at 1 January 2020 <i>HK\$'000</i>	Cash flows <i>HK\$'000</i>	Non-cash changes <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Other borrowings	<u>291,408</u>	<u>(291,408)</u>	–	–
	As at 1 January 2019 <i>HK\$'000</i>	Cash flows <i>HK\$'000</i>	Non-cash changes <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Other borrowings	<u>375,990</u>	<u>(84,582)</u>	–	<u>291,408</u>

32. CORPORATE GUARANTEES

At 31 December 2020, the Company has given corporate guarantees in favour of banks for banking facilities granted to its fellow subsidiary to the extent of Nil (2019: approximately HK\$216,000,000, of which approximately HK\$216,000,000 was utilised).

In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

33. RELATED PARTY TRANSACTIONS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fellow subsidiary:		
Rental expenses (<i>Note</i>)	<u>725</u>	<u>600</u>

Note: Rental expenses charged by Chater Land Limited were based on office areas occupied by the Group at a rent agreed by both parties.

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33. RELATED PARTY TRANSACTIONS *(continued)*

(b) Other transactions with related parties

During the year, the Group acquired a subsidiary, Reach Profit and its subsidiaries from the Company's intermediate holding company at a consideration of approximately HK\$1,379,916,000, based on a valuation of the business performed by the directors of the Group with reference to the valuation report performed by independent external valuer. Further details of the transaction are included in Note 29 to the consolidated financial statements.

During the year, the Group disposed a subsidiary, Linkful Strategic Investment Limited and its subsidiaries, to the Company's intermediate holding company at a consideration of approximately HK\$1,139,094,000, based on a valuation of the business performed by the directors of the Group with reference to the valuation report performed by independent external valuer. Further details of the transaction are included in Note 30 to the consolidated financial statements.

(c) Outstanding balances with related parties

The Group has an outstanding promissory notes to its intermediate holding company of approximately HK\$148,639,000 (2019: Nil) as at the end of the reporting period. This balance is unsecured, interest-free and repayable within one year.

The Group has an outstanding balance due to its fellow subsidiaries of approximately HK\$150,149,000 (2019: Nil) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

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

The directors' and chief executive's emoluments are included in Note 8 to the consolidated financial statements.

The related party transactions in respect of Note 33(b) above also constitute connected transactions as defined in Chapter 14A of Listing Rules.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Financial assets at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets included in trade receivables	–	600	600
Financial assets included in deposits and other receivables	–	903	903
Equity investments at fair value through profit or loss	98	–	98
Cash and cash equivalents	–	161,116	161,116
	<u>98</u>	<u>162,619</u>	<u>162,717</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in other payables and accruals	10,687
Promissory notes	148,639
Amounts due to fellow subsidiaries	150,149
	<u>309,475</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (continued)

2019

Financial assets

	Financial assets at fair value through other comprehensive income – equity investments <i>HK\$'000</i>	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Financial assets at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Equity investments at FVTOCI	–	706,028	–	706,028
Financial assets included in deposits and other receivables	–	–	434	434
Equity investments at fair value through profit or loss	561,180	–	–	561,180
Cash and cash equivalents	–	–	200,981	200,981
	<u>561,180</u>	<u>706,028</u>	<u>201,415</u>	<u>1,468,623</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in other payables and accruals	2,417
Other borrowings	<u>291,408</u>
	<u>293,825</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, trade receivables, financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals, other borrowings, promissory notes and amounts due to fellow subsidiaries are not materially different from their carrying amounts because of the immediate or the short term maturities of these instruments.

As detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Value of inputs
	2020 HK\$'000	2019 HK\$'000				
Assets						
Equity investments at fair value through profit or loss	98	561,180	Level 1	Quoted last trade prices in an active market.	N/A	N/A
Equity investments at FVTOCI	–	706,028	Level 3	Net asset value of such unlisted equity investments with an adjustment of discount for lack of marketability under the asset approach. (<i>Note</i>)	N/A (2019: Discount rate for lack of marketability)	N/A (2019: 16.11%)

Note: The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investments is in negative relationship that the higher the discount rate adopted in the valuation assessment, the lower the fair value would be resulted.

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Equity investments at fair value through other comprehensive income – unlisted:		
At 1 January	706,028	692,212
Total gains recognised in other comprehensive income	85,691	13,816
Disposal of a subsidiary (<i>Note 30</i>)	(791,719)	–
At 31 December	–	706,028

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 31 December 2020				
Equity investments at fair value through profit or loss	98	–	–	98
	<u>98</u>	<u>–</u>	<u>–</u>	<u>98</u>
At 31 December 2019				
Equity investments at FVTOCI	–	–	706,028	706,028
Equity investments at fair value through profit or loss	561,180	–	–	561,180
	<u>561,180</u>	<u>–</u>	<u>706,028</u>	<u>1,267,208</u>

The Group did not have any financial liabilities measured at fair value at 31 December 2020 and 2019.

During the year ended 31 December 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other interest-bearing loans, promissory notes, amounts due to fellow subsidiaries, equity investments at FVTOCI, equity investments at fair value through profit or loss, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade receivables, other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's other borrowings with floating interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Group does not expect to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's (loss)/profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax <i>HK\$'000</i>	Increase/ (decrease) in equity* <i>HK\$'000</i>
2020			
Hong Kong dollar	50	–	–
Hong Kong dollar	(50)	–	–
2019			
Hong Kong dollar	50	(53)	–
Hong Kong dollar	(50)	53	–

* Excluding retained profits

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group's exposure to market risk for change in foreign currency exchange rates relates primarily to certain investments and certain cash and cash equivalents in currencies other than the functional currency of Hong Kong dollar.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar ("USD") and Renminbi ("RMB") exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in USD/RMB rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2020			
If Hong Kong dollar weakens against USD	(5)	5	–
If Hong Kong dollar strengthens against USD	5	(5)	–
If Hong Kong dollar weakens against RMB	(5)	4	–
If Hong Kong dollar strengthens against RMB	5	(4)	–
2019			
If Hong Kong dollar weakens against USD	(5)	5	–
If Hong Kong dollar strengthens against USD	5	(5)	–
If Hong Kong dollar weakens against RMB	(5)	4	–
If Hong Kong dollar strengthens against RMB	5	(4)	–

* Excluding retained profits

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

As at 31 December 2020 and 2019, 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 is arising from the carrying amount of respective 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, except that the Group holds rental deposits from tenants for leasing of properties.

Trade receivables from rental receivables

In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances from rental receivables based on provision matrix.

Other receivables

No allowance for impairment was made for other receivables since the directors of the Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

Short-term bank deposits/fixed bank deposits/bank balances

The credit risk on short-term bank deposit, fixed bank deposits and bank balances are limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no other significant concentration of credit risk.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Category	Group definition of category	Basis for recognition of ECL
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
Default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL for trade receivables from rental receivables. To measure the expected credit losses, these trade receivables have been based on past due status, historical credit loss experience based on the past default experience of the Group and are adjusted with forward-looking information. On that basis, the Group assessed that there is no loss allowance recognised in accordance with HKFRS 9 at 31 December 2020 and 2019.

For the purpose of impairment assessment for other receivables, the management considered that the credit risk of these financial assets have not significantly increased since initial recognition. The Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under 12-month ECL method after taken into account the historical default experience, historical settlement records, collateral values as well as the loss upon default in each case and are adjusted with forward-looking information.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	2020				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Other payables and accruals	10,687	–	–	–	10,687
Promissory notes	–	148,639	–	–	148,639
Amounts due to fellow subsidiaries	150,149	–	–	–	150,149
	160,836	148,639	–	–	309,475
	2019				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Other borrowings	291,447	–	–	–	291,447
Other payables and accruals	2,417	–	–	–	2,417
	293,864	–	–	–	293,864

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed equity securities classified as equity investments at fair value through profit or loss (*Note 21*) and equity investments at FVTOCI (*Note 18*) as at 31 December 2020 and 2019. The Group's listed investments are mainly listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2020	High/low 2020	31 December 2019	High/low 2019
Hong Kong – Hang Seng Index	27,231	29,174/ 21,139	28,189	30,157/ 25,064

The following table demonstrates the sensitivity to every 10% change in the fair values of the listed and unlisted equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments at FVTOCI, the impact was deemed to be on the fair value reserve.

	Carrying amount of equity investments <i>HK\$'000</i>	Increase/ (decrease) in profit before tax <i>HK\$'000</i>	Increase/ (decrease) in equity* <i>HK\$'000</i>
2020			
Investments listed in Hong Kong and overseas			
– Held for trading	98	10/ (10)	–
2019			
Investments listed in Hong Kong and overseas			
– Held for trading	561,180	56,118/ (56,118)	–
Unlisted investments at fair value			
– Equity investments at FVTOCI	706,028	–	70,603/ (70,603)

* Excluding retained profits

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a debt-to-equity ratio, which is total debt (including other borrowings, promissory notes and amounts due to fellow subsidiaries) divided by the shareholders' equity. The debt-to-equity ratios at the end of the reporting periods were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other borrowings	–	291,408
Promissory notes	148,639	–
Amounts due to fellow subsidiaries	150,149	–
	<u>298,788</u>	<u>291,408</u>
Total debt	<u>298,788</u>	<u>291,408</u>
Equity attributable to owners of the Company	<u>1,511,455</u>	<u>1,449,306</u>
Debt-to-equity ratio	<u>19.77%</u>	<u>20.11%</u>

37. EVENTS AFTER THE REPORTING PERIOD

As at report date, the Group has no material events after reporting period which are required to be disclosed.

38. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (*Note 11*).

As further explained in Note 4 and Note 11 to the consolidated financial statements, the comparative consolidated statement of profit or loss has been re-presented as if the discontinued operations have been discontinued at the beginning of the comparative period. In addition, certain comparative amounts have been reclassified to conform with the current year's presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Investments in subsidiaries	1,067,178	47,900
Club debenture	330	670
Total non-current assets	<u>1,067,508</u>	<u>48,570</u>
CURRENT ASSETS		
Amounts due from subsidiaries	351,530	209,838
Prepayments and other receivables	541	471
Equity investments at fair value through profit or loss	98	59
Cash and cash equivalents	42	42
Total current assets	<u>352,211</u>	<u>210,410</u>
TOTAL ASSETS	<u>1,419,719</u>	<u>258,980</u>
CURRENT LIABILITIES		
Other payables and accruals	48	31
Promissory notes	148,639	–
Total current liabilities	<u>148,687</u>	<u>31</u>
NET CURRENT ASSETS	<u>203,524</u>	<u>210,379</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,271,032</u>	<u>258,949</u>
EQUITY		
Issued capital	38,818	27,000
Reserves (<i>Note</i>)	1,232,214	231,949
Total equity	<u>1,271,032</u>	<u>258,949</u>

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	(Accumulated losses)/ retained profit HK\$'000	Total HK\$'000
At 1 January 2019	498,761	546	88,380	(355,127)	232,560
Total comprehensive expense for the year	—	—	—	(611)	(611)
At 31 December 2019 and 1 January 2020	498,761	546	88,380	(355,738)	231,949
Share issuance	80,365	—	—	—	80,365
Total comprehensive income for the year	—	—	—	919,900	919,900
At 31 December 2020	579,126	546	88,380	564,162	1,232,214

The Company's contributed surplus represents the difference arising between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the value of the net assets of the subsidiaries acquired at the time of the Group's reorganisation in prior years. Under the Companies Act of Bermuda, the contributed surplus is distributable to shareholders in certain circumstances prescribed by Section 54 thereof.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAPTER 1 INTRODUCTION

Oriental Explorer Holdings Limited (the “**Company**”) is pleased to present its annual Environmental, Social and Governance (“**ESG**”) Report (“**ESG Report**”) to demonstrate its commitment to sustainable development. This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”). With reference to the definition stated in the ESG Reporting Guide, this ESG Report presents those aspects and key performance indicators which are relevant to the businesses and operations of the Company together with its subsidiaries (the “**Group**”, “**we/our**” or “**us**”).

Unless otherwise specified, this ESG Report covers the ESG management and performance of the Group from 1 January 2020 to 31 December 2020 (the “**Reporting Period**”).

The board of directors of the Company is responsible for the Group’s ESG strategy formulation and reporting, evaluating and determining the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management measures and internal control systems are in place.

SCOPE OF REPORTING

In addition to the operations of the Group’s headquarter office in Hong Kong, this ESG Report also covers the operations of Multifield Centre, a commercial property the entire interest of which was acquired by the Group in late July 2020. Majority of the key revenue generating activities of the Group are covered by the scope of reporting of this ESG Report.

This ESG Report highlights the Group’s sustainability efforts in environmental and social aspects. For details of our corporate governance practices during the Reporting Period, please refer to the Corporate Governance Report included in the 2020 Annual Report of the Company.

A detail ESG content index is included at the back of this report to help increase transparency and understanding.

STAKEHOLDERS’ FEEDBACK

We sincerely welcome your feedback on this ESG Report and our ESG performance. Please contact us by any of the following means to share your comments with us:

Address: Units 22-28, 25/F, Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong.
Phone: (852) 2802 2668
Fax: (852) 2802 2178

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAPTER 2 OUR STAKEHOLDERS

As stakeholders play a crucial role in sustaining the success of our business, we make use of various communication channels to understand and engage our stakeholders. The probable points of concern of the stakeholders identified by us and the way of our communication and responses are listed below:

Stakeholders	Expectations	Communication and Responses
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, government inspections, filing tax returns and other information.
Regulators	Compliance with Listing Rules, and timely and accurate announcements.	Meetings, training, workshops, programs, website updates, and announcements.
Employees	rights and benefits of employees, compensation, training and development, work hours, and working environment.	Training, interviews with employees, internal memos, and employee suggestion boxes.
Customers	Service quality, service delivery schedule, reasonable prices, service value, and personal data protection.	Routine business communications and property management services.
Investors	Corporate governance, business strategies and performance, and investment returns.	Shareholders' meetings and issuance of financial reports.
Suppliers	Corporate reputation, payment schedule, and stable demand.	Site visits.
Community	Community environment, employment opportunities, community development, and social welfare.	Community activities, employee voluntary activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAPTER 3 MATERIALITY ASSESSMENT

During the Reporting Period, we conducted a materiality assessment to identify ESG issues and assessed their importance to the Group and our stakeholders.

With reference to the ESG Reporting Guide and taking into consideration of the Group's business characteristics, the ESG issues determined to be material to the Group and/or our stakeholders are as follows:

ESG aspects as set out in the ESG Reporting Guide	Material ESG issues for the Group
(A) Environmental	
A1 Emission	Emission control and waste management
A2 Use of Resources	Effective use of energy
A3 Environment and Natural Resources	The environment and natural resources
A4 Climate Change	Climate-related issues
(B) Social	
B1 Employment and Labour Practices	Equal opportunities and diversity
B2 Health and Safety	Workplace health and safety
B3 Development and Training	Education, training, and career development
B4 Labour Standards	Respect for labour rights
B5 Supply Chain Management	Supply chain management
B6 Product Responsibility	Quality and compliance management
B7 Anti-corruption	Moral integrity and anti-corruption
B8 Community Involvement	Community participation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAPTER 4 ENVIRONMENT

4.1 EMISSIONS CONTROL AND WASTE MANAGEMENT

We are dedicated to protecting the environment and integrating environmental considerations into our daily operations. During the Reporting Period, we implemented the following emission control measures:

- Promote and implement environmental management plans relating to air and greenhouse gas emissions, water and land discharges, and generation of hazardous and non-hazardous waste management to reduce any environmental impact;
- Comply with all relevant environmental legislation and requirements, such as the Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap.611 of the Laws of Hong Kong); and
- Provide sufficient resources for the implementation of pollution abatement, waste management and natural environmental mitigation.

GREENHOUSE GAS EMISSIONS

During the Reporting Period, greenhouse gas emission was mainly generated from the consumption of purchased electricity and the use of vehicles. In order to reduce the generation of greenhouse gases, the Group has adopted a business travelling policy to reduce the use of company vehicles in favor of public transportation in order to minimise the emission from vehicles. Conference calls instead of face-to-face meetings are also arranged where possible. Moreover, the Group has set a target of 20% reduction in absolute emission by 2030 from a base year of 2020. In order to reach this goal, the Group committed to reduce electricity consumption through various measures as described in the section headed “Effective Use of Resources” below.

During the Reporting Period, due to the additional of the newly acquired Multifield Centre to the scope of reporting, there was an increase in the purchase of electricity, leading to a significant increase in the amount of greenhouse gas emission as compared to the year ended 31 December 2019.

Total Greenhouse Gas Emissions

Emission	Scope 1		Scope 2		Scope 3		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Carbon dioxide equivalent (tonnes)	0.15	0.27	58.6	9.07	0.1	0	58.85	9.34

Note: Scope 1 includes mobile combustion emission; scope 2 includes energy indirect emissions; scope 3 includes greenhouse gas emissions due to electricity used for fresh water and sewage processing. Insignificant emission amounts are neglected in calculations.

	Scope 1	
	2020	2019
Intensity (tonnes per vehicles)	0.0675	0.0375

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WASTE MANAGEMENT

We follow the Waste Disposal Ordinance (Cap.354 of the Laws of Hong Kong) and related regulations to identify and classify hazardous waste ^(Note), establish designated storage areas and appoint responsible property and technical staff to manage. Due to the business nature, we did not generate significant hazardous waste during our course of business. Moreover, non hazardous waste generated by our operations was mostly waste paper resulting from administrative work, which we consider to be insignificant as we implemented policies encouraging our employees to go paperless and recycle used paper where possible. In view of the above, no data regarding hazardous and non-hazardous waste were recorded during the Reporting Period.

In spite of this, we strives to minimise the environmental impacts by minimising the generation waste. We have implemented a variety of waste reduction measures such as using reusable glass cups in conference rooms and reception rooms to reduce paper cups consumption and encouraging our employees to reuse reusable resources such as envelopes and bags.

Note: hazardous waste is classified into chemical waste (Cap. 354C. of the Laws of Hong Kong), clinical waste (Cap. 354, Cap. 354O of the Laws of Hong Kong, and various pieces of additional legislation) and hazardous chemicals (Cap. 595 of the Laws of Hong Kong)

During the Reporting Period, the Group was not aware of any cases of violation of any laws and regulations relating to air and greenhouse gas emissions, water and land discharges, and generation of hazardous and non-hazardous waste.

4.2 EFFECTIVE USE OF RESOURCES

The Group's resources usage strategy focuses on reducing paper usage, recycling of materials, and reducing electricity consumption. We strive to reduce paper usage by using computer filing in place of printed formal copies filing. We also promote sustainable use and recycling of resources by encourage our employees to separate recyclable waste such as paper, plastic or glass bottles, and rechargeable batteries. In making purchase decisions, we always prefer recyclable goods.

The Group is committed to continual improvement in energy performance and to comply with all applicable legal requirements. Our energy saving strategy includes reminding our employees to switch off lights, air-conditioners, printers, and computers at workstations when they are not in use; maintaining room temperature at 25 degrees Celsius; and choosing energy efficient office equipment in making purchase decisions. These helps to reach the goal of reducing energy consumption from fossil fuels to 20% below current level by 2030.

During the Reporting Period, there was no material change in paper usage as compared to the year ended 31 December 2019. However, the amount of electricity consumed had risen due to the inclusion of the newly acquired property into the scope of reporting of this year's ESG Report.

Total Energy Consumption

Energy	2020	2019
Electricity (kWh in '000s)	78.75	11.34
Intensity (kWh in '000s per facility)	26.25	11.34

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Usage

We do not have any issue in sourcing water, and the existing supply of water meets our daily operational needs. Water consumption mainly arises from the daily use of water by the employees at the office during working hours, and the domestic sewage is directly discharged into municipal sewage pipelines.

In accordance with suggestions by the Water Supplies Department, we have implemented various water saving measures such as installation of flow controllers in water taps to ensure water is utilised efficiently. As payment for water usage at our headquarter office is included in the management fee payable to the property management agency, relevant water consumption data is not assessable by us. In any event, the Group looks forward to reducing 20% of water consumption below current level by 2030.

During the Reporting Period, the material change in water consumption was mainly attributable to the amount of water consumed at Group's newly acquired Multifield Centre.

Total Water Consumption

Water	2020
Water consumed (m ³)	203
Intensity (m ³ per facility)	67.67

Packaging Materials

Due to the business nature of the Group, we do not consume any packaging material during our ordinary course of business and thus this disclosure is not applicable to the Group.

4.3 THE ENVIRONMENT AND NATURAL RESOURCES

We aim at aligning our business operations with environmental best practices. Although our daily operations' impacts on environment and natural resources are limited, we will continue to minimise any such impacts by implementing green practices. As we have identified paper usage and electricity consumption as the two most significant impacts of our operations on the environment and natural resources, we will continue to reduce paper consumption and wastage by encouraging our employees using double-sided printing, reusing papers, and recycling paper materials. Furthermore, we are also committed to being responsible in energy consumption and support the purchase of energy efficient products and equipment such as LED lights that helps reduce energy use.

4.4 CLIMATE CHANGE

We are concerned about the rise in climate-related issues. We regularly assess the adverse impacts brought about by climate change on our business operations and are prepared to react accordingly when relevant risks are discovered.

According to the Task Force on Climate-related Financial Disclosure (TCFD), climate-related risks are divided into two major categories: transition risks and physical risks.

In-line with the mega-trend, there is a global transition to a lower-carbon economy which refers to transition risks. Policy, technology and market changes in mitigating and adapting a low-carbon economy may lead to changes to the Group. We are not aware of any significant transition risk that will have significant adverse impact on our operations at present stage.

Physical risks can be further divided into acute physical risk (event-driven) and chronic physical risk (the long-term impact on climate change). Due to the nature of our core business, we are less dependence on the environment. We are not aware of any significant physical risk that will have significant adverse impact on our operations at present stage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAPTER 5 PEOPLE

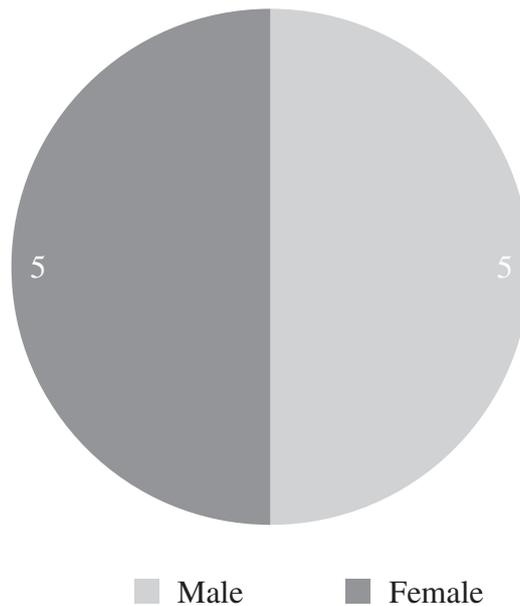
5.1 EQUAL OPPORTUNITIES AND DIVERSITY

The Group strives to maintain a harmonious workplace where employees are free from any form of discrimination. We respect diversity and fairness in recruitment and promotion of our employees, regardless of race, social class, age, nationality, religion, disability, gender or sexual orientation.

All matters related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare are structured to comply with legislation within the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong), Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong) and Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong) in Hong Kong, or related local labour legislations.

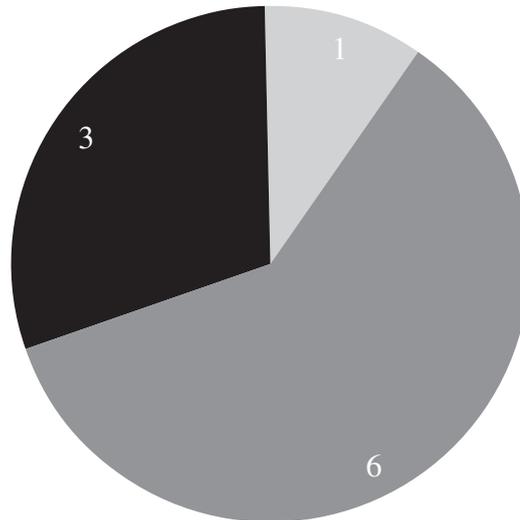
At the end of the Reporting Period, the Group has 10 full-time employees (2019: 10). The turnover rate kept at 0%. The Group's workforce was all in Hong Kong. The composition of the Group's workforce by gender and age group are shown below:

Table 1: Total workforce by gender



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Table 2: Total workforce by age group



Below 30 Years Old
 Between 30 and 50 Years Old
 Over 50 Years Old

5.2 WORKPLACE HEALTH AND SAFETY

The Group is committed to maintaining a high standard of health and safety and acts in compliance with all applicable occupational safety and health legislation such as Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong). The Group requires that all levels of management and supervisors actively participate in and adopt ways to create a safe working environment and protect employees from occupational hazards. Our workplace has been provided with first aid boxes for emergency preparedness.

The Group values the health and well-being of our staff. We provide medical benefits to our employees after their completion of probation. The medical insurance available to our employees covers part of their medical fee for diagnosis, hospitalisation and outpatient follow-up care which could lessen employees' financial burden with regard to medical expenses.

The Group strives to maintain a positive work-life balance to employees. We provide our employees with reasonable working hours, rest periods and a variety of leaves such as paternity leave, maternity leave, and marriage leave. We also organise entertainment activities for our employees regularly with an aim to reducing their stress level.

In response to the outbreak of COVID-19 pandemic, we implemented additional measures to safeguard the health of our employees. Temperature taking is compulsory for every person before entering our headquarter office. We also made available sufficient surgical face masks and other disinfectant products at our workplace for our employees' use.

During the Reporting Period, neither workplace accidents, injury, work-related fatalities nor non-compliances (2019: 0 case, 2018: 0 case, 2017: 0 case) against the Employees' Compensation Ordinance, Occupational Safety and Health Ordinance or other related laws and regulations were noted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.3 EDUCATION, TRAINING AND CAREER DEVELOPMENT

Training and competence of staff are crucial to the continuous growth of the business of the Group. Through comprehensive staff development, we broaden the professional knowledge, skills and qualifications of our staff, with the aim of creating a solid foundation for the Group's sustainable development in business.

The Group is committed to providing opportunities to our employees to acquire job-related training and development, mainly through on-the-job training, seminars, workshops, site visits and formal training programmes. On top of on-the-job training, staff are encouraged to take external professional training to strengthen their work-related expertise. As for external training, the policies on examination leave and reimbursement of tuition, seminar or workshop fees have been established and implemented to support our staff's pursuit of professional training.

During the reporting period, a total of approximately 18 hours (2019: 12 hours) of training were provided to employees. The Group invested in educating employees as they understand the importance of trainings. The following table shows the percentage of employees trained and average training hours by employee category and gender.

Percentage of employees trained	2020	2019
By employee category		
Senior	33.3%	33.3%
Middle	50%	50%
Junior	0%	0%
By gender		
Male	40%	20%
Female	20%	40%
Average training hours	2020	2019
By employee category		
Senior	4.2	2
Middle	1.38	1.5
Junior	0	0
By gender		
Male	2.7	1.2
Female	0.9	1.2

5.4 RESPECT FOR LABOUR RIGHTS

The Group does not condone forced labour. All employees may resign upon reasonable notice. The Group prohibits child labour, forced labour and illegal workers in any workplace and has comprehensive steps to review the employment practices and eliminate undesired practices if discovered. Upon discovery of any use of child labour or forced labour, the relevant person will be dismissed immediately and the issue will be reviewed and discussed by the Board to prevent it from happening again.

During the Reporting Period, no cases of non-compliance with the Employment of Children Regulation (Cap. 57B of the Laws of Hong Kong) under the Employment Ordinance or other child and forced labour-related laws and regulations were noted.

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CHAPTER 6 OPERATING PRACTICES

6.1 SUPPLY CHAIN MANAGEMENT

Contractors and suppliers are our important business partners, therefore, active engagement with them is important to the effectiveness of every operation and managing environmental and social risks of the supply chain.

For any given project, we select contractors and suppliers based on a number of environmental and social risk factors, including a performance review in waste reduction and material usage each time when job is completed by suppliers. We also inform our contractors and suppliers about all rules during work. For example, noisy work is not allowed on public holidays. For protection of the environment and customer health and safety, we prohibit the use of hazardous materials and request contractors and suppliers to adopt the materials that fulfil international environmental standards and follow waste handling guidelines. We also instruct our contractors and suppliers to provide information related to environmental protection, together with quotations and contracts.

Besides giving work suggestions and methods to contractors during project execution, we engage contractors and suppliers through various channels such as face-to-face meetings, site visits, phone conferences, email, etc. We believe we maintain good relationships with our contractors and suppliers. We consider such long-standing relationships with contractors enable us to have a comprehensive assessment of the contractors over the years, ensuring the quality of works in the long run.

6.2 QUALITY AND COMPLIANCE MANAGEMENT

As a company which mainly engage in property leasing, the Group aims to deliver to our tenants good properties and services:

- When the property is handed over, a contact list will be provided to the tenant. For any enquiry about tenancy matters or repair requests, the leasing managers will be the key contact point, and will then gather the necessary information from the respective departments and give a reply to the tenant. Means of communication include email, fax and phone.
- The handover quality are based on the Company's pre-set high level of standards.

All of our properties have implemented four key steps in quality and compliance control flow:

- During the lease negotiation stage, and before the lease offer is sent out, the Real Estate Department has understanding on the condition of the flat, work agenda to be agreed and the expected handover condition.
- The Real Estate Department also works out the scope of work based on the offered terms and the existing condition of the flat.
- For repairs and maintenances work for our tenants, we will send representatives to check the status of work from time to time and take photographs for record to ensure quality of work.
- After work completion and before handover, the Real Estate Department will check on the flat's condition to ensure all the agreed work items have been completed to the company's satisfaction.

We highly value feedback or complaints from our stakeholders to continuously improve our business. A comprehensive complaint handling procedure has been established to resolve complaints in a timely and effective manner.

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Complaints are usually related to repair and maintenance. Upon receipt of a tenant's complaint, the following procedures will be carried out:

- Conduct inspection by our in-house technicians to assess the problem and determine whether the work can be fixed in-house or need to be outsourced.
- For urgent cases, representatives from the Real Estate Department will visit the site on the day or the day following the complaint to decide upon the scale and scope of rectification works.
- Temporary measures to prevent the situation from deteriorating will be carried out, if possible.
- To obtain a quotation for management approval and to have works carried out at a date/time mutually agreed between the landlord and the tenant.

For customer privacy protection, individual record sheets are provided for visitors to fill in their particulars. The data will only be used for record purposes and prevention of crime. The data collected will be destroyed within one month to ensure data protection. The Property Manager on-site is responsible for monitoring the implementation of such measure.

During the Reporting Period, the Group was in compliance with all local rules and regulations relating to health and safety, advertising, labelling and privacy matters relating to works and services provided and methods of redress.

6.3 MORAL INTEGRITY AND ANTI-CORRUPTION

We uphold high standards on promoting anti-corruption, with all our employees and directors are required to maintain a high level of business ethics. The audit committee of the Company (the “**Audit Committee**”) has the overall responsibility for matters related to the internal controls of anti-corruption of the Group.

Whistle-blowing procedures apply to all parties including internal as well as external informers. Any complaint of suspected misconduct, malpractice or impropriety can be made either verbally or by confidentially writing to the Audit Committee; all issues will be treated promptly and fairly. In cases of suspected corruption or other criminal offences, a report may be made to the appropriate authority. We encourage our employees to study publicly available materials on anti-corruption prevention such as those available on the website of the Hong Kong Business Ethics Development Centre.

During the Reporting Period, the Group was in compliance with all local rules and regulations relating to bribery, extortion, fraud and money laundering such as the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong). There were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

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CHAPTER 7 COMMUNITY INVESTMENT

7.1 COMMUNITY PARTICIPATION

We are aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this regard, we would explore the possibility to identify suitable partners and support community and environmental programmes that align with the our missions and values.

We believe the best way to serve the community is to drive positive impact through our investment portfolio. To create shared values with the community and stakeholders, we will continue to consider ESG factors in selecting future investment projects.

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APPENDIX 1 HKEX ESG REPORTING GUIDE CONTENT INDEX TABLE

Subject Areas, Aspects, General Disclosures and KPIs

A. Environmental

Aspect A1: Emissions

General Disclosure	Information on:
	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
	<i>Note:</i> Air emissions include NO _x , SO _x , and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.
KPI A1.1	The types of emissions and respective emissions data.
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).
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.
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.

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Subject Areas, Aspects, General Disclosures and KPIs

Aspect A2:

Use of Resources

General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note:</i> Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.
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).
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.
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.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.

Aspect A3:

The Environment and Natural Resources

General Disclosure	Policies on minimising the issuer's significant impacts on 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.

Aspect A4:

Climate Change

General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.
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.

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Subject Areas, Aspects, General Disclosures and KPIs

B. Social

Employment and Labour Practices

Aspect B1: Employment

General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.
KPI B1.2	Employee turnover rate by gender, age group and geographical region.

Aspect B2: Health and Safety

General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.
KPI B2.2	Lost days due to work injury.
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.

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Subject Areas, Aspects, General Disclosures and KPIs

Aspect B3: Development and Training

General Disclosure	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note:</i> Training refers to vocational training. It may include internal and external courses paid by the employer.</p>
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).
KPI B3.2	The average training hours completed per employee by gender and employee category.

Aspect B4: Labour Standards

General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</p>
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.

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Subject Areas, Aspects, General Disclosures and KPIs

Operating Practices

Aspect B5: Supply Chain Management

General Disclosure	Policies on managing environmental and social risks of the supply chain.
KPI B5.1	Number of suppliers by geographical region.
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.

Aspect B6: Product Responsibility

General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.
KPI B6.4	Description of quality assurance process and recall procedures.
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.

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Subject Areas, Aspects, General Disclosures and KPIs

Aspect B7:

Anti-corruption

General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.
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.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.
KPI B7.3	Description of anti-corruption training provided to directors and staff.

Community

Aspect B8:

Community Investment

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

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
Hong Kong						
1	Ground Floor of Block 1B, Pine Villas, Nos.118 & 118A, Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories, Hong Kong	Residential	100%	1,833	1,833	Up to 30 June 2047
2	Multifield Centre, No. 426 Shanghai Street, Kowloon, Hong Kong	Commercial	100%	46,351	46,351	150 years from 25 December 1887
3	Flat B on the 30th Floor of Tower 6 and Private Car Car Park No. 58 on Car Park Level 2, Bel-Air on the Peak of Island South, No. 68 Bel-Air Peak Avenue, Hong Kong	Residential/ Car park	100%	913	913	50 years from 22 May 2000
4	Flat E, 18th Floor, Block H-9, Fu Yip Yuen, Chi Fu Fa Yuen, No. 9 Chi Fu Road, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
5	Flat H, 18th Floor, Block H-14, Fu Chun Yuen, Chi Fu Fa Yuen, No. 14 Chi Fu Road, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
6	Flat H, 21st Floor, Block H-12, Fu Yar Yuen, Chi Fu Fa Yuen, No. 12 Chi Fu Road, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
7	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 19th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	100%	11,439	11,439	A term from 17 December 1991 to 30 June 2047
8	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 20th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	100%	11,438	11,438	A term from 17 December 1991 to 30 June 2047

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
9	Car Parking Space (Private Carpark) No. P101 on 1st Floor and Nos. P201 and P202 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Car Park	100%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
10	Car Parking Space (Private Carpark) Nos. P229 and P230 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Car Park	100%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
11	Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 12th Floor, Tower 2, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	100%	2,423	2,423	A term from 25 January 1995 to 30 June 2047
12	Flat A (Including the Balcony thereof), on the 12th Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	100%	1,317	1,317	A term from 25 January 1995 to 30 June 2047
13	Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 30th Floor, Tower 1 and Car Parking Space No. 16 on the Ground Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential/ Car Park	100%	2,545	2,545	A term from 25 January 1995 to 30 June 2047
14	Car Parking Space No. 1071 on 1st Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Car Park	100%	N/A	N/A	A term from 25 January 1995 to 30 June 2047
15	Whole of 4th, 5th, 8th and 9th Floor, Units B1 and B2 on 2nd and 14th Floor and Car Parking Space Nos. 1-4 and 10-21, Blue Box Factory Building, No. 25 (Formerly No. 15) Hing Wo Street, Hong Kong	Industrial/ Car Park	100%	90,800	90,800	75 years from 23 March 1970 renewable for a further term of 75 years

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
The PRC						
16	Units A to F on Level 16, Tower II, Innotect Tower, No. 239 Nanjing Road, Heping District, Tianjin, The PRC	Residential	100%	8,620	8,620	A term from 25 May 1992 to 24 May 2062
17	Unit No.7-10-I on Level 10 of Block No. 7, No. 68 Xinzhong Street, Dongcheng District, Beijing, The PRC	Residential	100%	1,132	1,132	Up to 1 November 2063

Note: N/A – Not Applicable