

遠東控股國際有限公司

FAR EAST HOLDINGS INTERNATIONAL LIMITED

Stock Code: 36

ANNUAL REPORT

2020



FEHI

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The English text of this annual report shall prevail over the Chinese text

 This annual report is printed on environmentally friendly paper

CORPORATE INFORMATION

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Mr. Eric Todd (*Chairman*)

(appointed on 26 February 2021)

Dr. Wong Yun Kuen (*Chairman*)

(resigned on 23 December 2020)

Mr. Sheung Kwong Cho

Independent Non-executive Directors

Ms. Kwan Shan

Mr. Wong Kui Shing, Danny

Mr. Mak Ka Wing, Patrick

COMPANY SECRETARY

Mr. Sheung Kwong Cho

AUDITOR

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Eric Todd

(appointed on 26 February 2021)

Ms. Kwan Shan

(appointed on 23 December 2020 and
ceased on 26 February 2021)

Dr. Wong Yun Kuen

(resigned on 23 December 2020)

Mr. Sheung Kwong Cho

AUDIT COMMITTEE

Ms. Kwan Shan (*Chairman*)

Mr. Wong Kui Shing, Danny

Mr. Mak Ka Wing, Patrick

REMUNERATION COMMITTEE

Mr. Wong Kui Shing, Danny (*Chairman*)

Mr. Mak Ka Wing, Patrick

Ms. Kwan Shan

NOMINATION COMMITTEE

Mr. Mak Ka Wing, Patrick (*Chairman*)

Mr. Wong Kui Shing, Danny

Ms. Kwan Shan

INVESTMENT COMMITTEE

Mr. Eric Todd (*Chairman*)

(appointed on 26 February 2021)

Dr. Wong Yun Kuen (*Chairman*)

(resigned on 23 December 2020)

Mr. Mak Ka Wing, Patrick

(appointed on 23 December 2020 and
ceased on 26 February 2021)

Mr. Wong Kui Shing, Danny

Mr. Sheung Kwong Cho

PRINCIPAL BANKER

Hang Seng Bank Limited

The Bank of East Asia, Limited

REGISTERED OFFICE

Unit 904, 9 Floor, Wings Building

110–116 Queen's Road Central

Central, Hong Kong

Telephone: 2110 8886

Facsimile: 2110 1159

Email: admin@fehholdings.com.hk

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

LISTING INFORMATION

Stock Code: 36

Board Lot Size: 3000

WEBSITE

<http://www.0036.com.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the year ended 31 December 2020 (the “Year Under Review”), the Group recorded revenue of approximately HK\$37.3 million (2019: approximately HK\$39.7 million), representing a decrease of approximately 6.05% as compared to that of last year. The Group’s profit from continuing operations and discontinued operation attributable to owners of the Company was approximately HK\$93.4 million (2019: loss of approximately HK\$132.3 million). The total comprehensive income from continuing operations and discontinued operation of the Group for the Year Under Review was approximately HK\$56.6 million (2019: total comprehensive expense of approximately HK\$153.5 million), which was mainly attributable to fair value gain on held-for-trading investments listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) of approximately HK\$146.6 million (2019: fair value loss of approximately HK\$106.8 million), partly offset by fair value loss on investment properties of approximately HK\$102.1 million (2019: approximately HK\$89.4 million). The basic earnings per share from continuing operations for the Year Under Review was 8.29 HK cents (2019: basic loss per share of 13.68 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had cash and bank balances and deposits held at a financial institution amounting to approximately HK\$14.7 million (2019: approximately HK\$37.3 million). The Group funds its operations from a combination of internal resources, bank borrowings and financial instruments.

GEARING RATIO

The gearing ratio, expressed as a percentage of total debts (including the bank borrowing and promissory note) to equity attributable to owners of the Company was 90.14% as at 31 December 2020 (2019: 109.6%).

CAPITAL STRUCTURE

During the Year Under Review, there was no change to the share capital of the Company. As at 31 December 2020, the total number of issued ordinary shares of the Company was 1,089,118,593 (2019: 1,089,118,593) shares.

EXPOSURE TO FOREIGN EXCHANGE FLUCTUATIONS

The Group had no significant exposure to foreign exchange fluctuations during the Year Under Review.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31 December 2020, the Company had no contingent liabilities (2019: Nil).

Capital Commitments

As at 31 December 2020, the Group had no capital commitment (2019: Nil).

SIGNIFICANT INVESTMENTS

The Group had held-for-trading investments of approximately HK\$278.6 million as at 31 December 2020 (2019: approximately HK\$149.4 million), representing 14.9% (2019: 7.9%) of the total assets of the Group.

During the Year Under Review, the Group recorded fair value gain on held-for-trading investments of approximately HK\$146.6 million (2019: fair value loss of approximately HK\$106.8 million).

MATERIAL RISK FACTORS

The Group's held-for-trading investments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity price risk due to the fluctuation of fair value of held-for-trading investments. Management closely monitors the market condition of listed securities and regularly reviews the exposure to the equity price risk on held-for-trading investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF THE GROUP

There was no material acquisition nor disposal conducted by the Group during the Year Under Review.

DISCONTINUED OPERATION

On 14 October 2019, due to the regulatory detailed planning of Haimen City approved by the Jiangsu Provincial People's Government ("Jiangsu Government") of the PRC, upon receiving the notification from the Jiangsu Government, JBB, a 51% owned subsidiary of the Company, entered into an agreement on 14 October 2019 with the Haimen People's Government in relation to the recovery of the state-owned land use right of a parcel of land owned by JBB located at No. 380 Renmin Middle Road, Haimen, the PRC, with a total site area of 9,368.9 square meters. Given the significant drop in its business and revenue and the segmental loss of the garment manufacturing industry segment, upon receiving the notification from the Jiangsu Government, the Board has decided to cease the business of JBB and the garment manufacturing industry business. Details of the discontinued operation are set out in note 13 to the consolidated financial statements.

DIVIDEND

For the Year Under Review, the Board does not recommend any final dividend (2019: Nil).

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2020, the Group had approximately 7 employees in Hong Kong (2019: 11 employees in Hong Kong and the PRC). The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonuses may be granted to reward and motivate those well-performed employees.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection and sustainable development through promoting and adopting green practices in its business activities. Initiatives within the Group include, but are not limited to, encouraging employees to reduce paper consumption by reuse of single-sided printed paper, to assess the necessity of printing where appropriate and to use duplex printing.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year Under Review, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

BUSINESS AND FINANCIAL REVIEW

Property Investment

The portfolio of investment properties comprised of commercial units located in Hong Kong with a carrying amount of approximately HK\$1,552.8 million (2019: approximately HK\$1,672.6 million) as at 31 December 2020. The Group recorded rental income of approximately HK\$37.3 million (2019: approximately HK\$39.7 million) for the Year Under Review. Management will continue to review its portfolio of investment properties and seek for potential acquisition and/or disposal opportunities from time to time.

(a) Details analysis of the rental income of the Group during the Year Under Review are as follows:

Location of the properties	Notes	Rental income		Increase/ (decrease) in percentage
		2020 HK\$'000	2019 HK\$'000	
9/F Wings Building, 110 –116 Queen's Road Central, Central, Hong Kong	(1)	1,255	1,795	(30.1%)
10/F, Wings Building, 110 –116 Queen's Road Central, Central, Hong Kong	(2)	1,741	1,669	4.3%
Workshop No. 5 on 4/F, Fullagar Industrial Building, 234 Aberdeen Main Road, Hong Kong	(3)	360	360	–
Commercial Podium (Shop) On Lower Ground Floor, Upper Ground Floor, First Floor, Second Floor, Third Floor and Offices and Flat Roof on Forth Floor of Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong	(4)	33,897	35,909	(5.6%)

Notes

- (1) The property is currently divided into five rental units and a conference room. The conference room is shared among tenants of the property. At the date of this report, two out of the five rental units of the property are leased to two different tenants with their leases expiration date in April 2021. Management is actively seeking for renewal with these tenants and no renewal terms have been finalized at the date of this report. Decrease in rental income during the Year Under Review mainly due to change of the registered office of the Company in April 2020 and two rental units have been occupied by the Company as its principal place of business since then.
- (2) The whole floor of this property is leased to a tenant with its lease expiration date in July 2021. Slight increase in rental income during the Year Under Review mainly due to increase in monthly rental at the time of renewal of lease contract in June 2019, partly offset by rental concession offered to the tenant during the Year Under Review.
- (3) The property is an industrial unit leased to a tenant with its lease expiration date in December 2021. There was no change in rental income during the Year Under Review.
- (4) The property is a commercial podium leased to a tenant with its lease expiration date in December 2021. Decrease in rental income mainly due to rental concession offered to the tenant during the Year Under Review.

- (b) Management reviews its investment properties and tenants portfolio from time to time with aims to generate stable income to the Group and for capital appreciation. Taking into consideration the impact of the COVID-19 pandemic, certain rental concessions have been offered to the tenants who engaged in the provision of medical rehabilitation business or beverage and bar business. Management will diversify its tenant mix, if necessary, in the second quarter of 2021 in order to minimize the financial impact of the COVID-19 pandemic to the Group.

Investment in Securities

During the Year Under Review, the Group recorded fair value gain on held-for-trading investments of approximately HK\$146.6 million (2019: fair value loss approximately HK\$106.8 million) attributable to unrealised gain of approximately HK\$146.2 million and realised gain of approximately HK\$0.4 million. No dividend income (2019: approximately HK\$3.2 million) from held-for-trading investments was recorded during the Year Under Review.

As at 31 December 2020, the held-for-trading investments amounted to approximately HK\$278.6 million (2019: approximately HK\$149.4 million). This value represented an investment portfolio comprising 20 (2019: 24) equity securities listed in Hong Kong of which 14 (2019: 18) equity securities are/were listed on the Main Board of the Stock Exchange and the remaining 6 (2019: 6) equity securities are/were listed on the GEM of the Stock Exchange. The Group's held-for-trading investments were represented as follows:

Company name/(stock code)	Notes	No. of shares	Percentage	Carrying amount	Unrealised	Fair value at	Percentage	Percentage
			of shareholdings at 31 December 2020* (Note 1)		fair value gain/(loss) for the year ended 31 December 2020		of total held-for-trading investments at 31 December 2020*	
			%	HK\$'000	HK\$'000	HK\$'000	%	%
China Evergrande New Energy Vehicle Group Limited (708) (formerly known as Evergrande Health Industry Group Limited)	2	8,070,000	0.09	62,704	181,010	243,714	87.5	13.0
Others	3			86,662	(34,775)	34,869	12.5	1.9
				149,366	146,235	278,583	100.0	14.9

* The percentages are subject to rounding error.

Notes:

- The percentage of shareholdings is calculated with reference to the monthly return of equity issuer on movements in securities for the month ended 31 December 2020 of the issuers publicly available on the website of the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

2. China Evergrande New Energy Vehicle Group Limited and its subsidiaries (collectively referred to as the “Evergrande Group”) mainly engaged in health management. Evergrande Group operates two segments. The Health Management segment’s businesses include Internet plus community health management, international hospitals, the elderly care and rehabilitation industry, medical beauty and anti-aging, as well as the sales of healthcare spaces. The New Energy Vehicle segment is involved in the research, development, production and sales of new energy vehicles, including selling lithium batteries and automotive components, as well as providing technical services.

Pursuant to the Evergrande Group’s annual results announcement for the year ended 31 December 2020, the Evergrande Group recorded revenue of approximately RMB15.5 billion and total comprehensive loss of approximately RMB4.9 billion. In 2020, Evergrande Group’s new energy vehicle business is progressing steadily on track with its planned goals. Evergrande Group is also rapidly preparing to build Hengchi vehicles display experience centers, sales centers and after-sales maintenance and repair service centers, including 36 Hengchi display experience centers, 1,600 Hengchi sales centers, as well as 3,000 self-operated and authorized after-sales maintenance and repair service centers, thereby creating a vast vehicle sales channel and network of after-sales service outlets. The Group believes that the expansion of operations will create value to the shareholders of the Evergrande Group.

During the Year Under Review, the Group has disposed of 1,230,000 shares in the Evergrande Health Group which led to a realised gain of approximately HK\$1.5 million.

3. Others comprised 16 listed securities and 3 delisted securities. Save as disclosed above, the Group does not hold any investment accounted for five per cent or more of the Group’s total asset at the end of the reporting period.

BUSINESS PROSPECTS

Looking ahead, it was expected the outbreak of Novel Coronavirus (“COVID-19”) in early 2020 will continue to have adverse impact to the Group’s property investment and securities investment. It was also expected certain rent reliefs will be requested by the tenants of the Group which may lead to decrease in the Group’s rental income in 2021 and the fair values of investment properties and held-for-trading investments may be declined. In view of the above, management will closely monitor the investment portfolio and capture opportunities in a prudent manner and balance investment risks of the Group.

Mr. Eric Todd
Chairman

Hong Kong, 26 March 2021



PROFILE OF THE DIRECTORS

EXECUTIVE DIRECTORS

Mr. Eric Todd

Mr. Todd, aged 59, joined the Group in February 2021 as the chairman of the Board and an executive Director. Mr. Todd is also the chairman of investment committee of the Company and a director of certain subsidiaries of the Company. Mr. Todd possesses extensive professional experience in the auditing, financial management, investment and media industry. Mr. Todd holds a Bachelor's degree in Business Administration in Accounting and Finance from the School of Management of Boston University in Massachusetts, United States of America. Mr. Todd has qualified as an U.S. Certified Public Accountant in 1989 and was a member of the American Institute of Certified Public Accountants from 1989 to 2010. Mr. Todd started his career at the Hong Kong office of KPMG (formerly known as KPMG Peat Marwick) from 1985 to 1990 and subsequently joined the Standard Chartered Bank Group and worked from 1991 to 1995. Prior to joining the Company, he had been employed as a business consultant and also served as finance director for several companies engaged in the media industry.

Mr. Todd is currently an executive director of DeTai New Energy Group Limited (stock code: 559), and an independent non-executive director of Wan Kei Group Holdings Limited (stock code: 1718). The securities of these companies are listed on the Main Board of the Stock Exchange. Mr. Todd also an executive director of Chinese Food and Beverage Group Limited (stock code: 8272) whose securities are listed on the GEM of the Stock Exchange.

Mr. Todd was an executive director of Shi Shi Services Limited (stock code: 8181) from August 2016 to September 2020 whose securities are listed on the GEM of the Stock Exchange.

Mr. Todd is currently a director of Tech Pro Technology Development Limited (stock code: 3823) ("Tech Pro"), the issued shares of which were listed on the main board of the Stock Exchange and delisted on 2 March 2020. Mr. Todd was appointed as a director of Tech Pro on 13 March 2020. Mr. Todd was an executive director of Hsin Chong Group Holdings Limited (stock code: 404) from March 2017 to March 2019 and a non-executive director of Leyou Technologies Holdings Limited (stock code: 1089) from July 2015 to December 2020, the securities of these companies were listed on the main board of the Stock Exchange.

Mr. Sheung Kwong Cho

Mr. Sheung, aged 40, joined the Group in May 2015. In June 2016, he was appointed as the company secretary and authorized representative of the Company. In October 2017, Mr. Sheung has been further appointed as an executive Director and the director of certain subsidiaries of the Company. Mr. Sheung is also the Chief Financial Officer of the Group and a member of the investment committee of the Company.

Mr. Sheung holds a Bachelor of Commerce degree from Macquarie University in Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and has more than 15 years of experience in corporate governance, mergers and acquisitions, auditing and financial management.

PROFILE OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Kwan Shan

Ms. Kwan, aged 49, joined the Group in December 2014 as an independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company. In July 2017, Ms. Kwan has ceased to be the chairman of the nomination committee of the Company and remains as a member of the nomination committee and further appointed as the chairman of the audit committee of the Company.

Ms. Kwan has more than 20 years of experience in the accounting and finance field in listed companies. Ms. Kwan holds a Master of Corporate Governance and a Bachelor's Degree in Accountancy both from The Hong Kong Polytechnic University. She is an associate member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries. She is also a fellow member of the Association of Chartered Certified Accountants. Ms. Kwan is currently a company secretary of Good Resources Holdings Limited (stock code: 109).

Mr. Wong Kui Shing, Danny

Mr. Wong, aged 61, joined the Group in July 2017 as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee, nomination committee and investment committee of the Company. Mr. Wong holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market.

Mr. Wong is currently a non-executive director of TFG International Group Limited ("TFG") (stock code: 542), the securities of TFG are listed on the Main Board of the Stock Exchange. Mr. Wong is also an executive director of China Information Technology Development Limited (stock code: 8178) and an executive director and chief executive officer of BCI Group Holdings Limited (stock code: 8412), the securities of these companies are listed on the GEM of the Stock Exchange.

Mr. Wong was an executive director and chief executive officer of TFG from August 2015 to February 2019, an executive director of Huiyin Holdings Group Limited (stock code: 1178) from May 2017 to April 2019 and an executive director of Greater Bay Area Dynamic Growth Holding Limited (stock code: 1189) from September 2019 to August 2021. The securities of these companies are listed on the Main Board of the Stock Exchange. Mr. Wong was also an executive director of Larry Jewelry International Company Limited (stock code: 8351) from October 2016 to October 2019, the securities of these companies are listed on the GEM of the Stock Exchange. Mr. Wong was also an independent non-executive director of Tech Pro Technology Development Limited ("Tech Pro") (stock code: 3823) from September 2017 to March 2020, the securities of Tech Pro were listed on the Main Board of the Stock Exchange for the period from 6 September 2007 to 2 March 2020.

Pursuant to the listing enforcement notice/announcement of the Stock Exchange dated 16 October 2008, Mr. Wong, together with another former director of China Oil and Gas Group Limited (“China Oil and Gas Group”) (stock code: 603), had admitted breaching the directors’ declaration, undertaking and acknowledgement with regard to directors given by each of them to the Stock Exchange in the form set out in Appendix 5B to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in failing to use their best endeavours to procure China Oil and Gas Group’s compliance with the Listing Rules in relation to the failure of China Oil and Gas Group to publish its annual results and annual report for the year ended 31 July 2005 by 30 November 2005 and the interim results and interim report for the six months ended 31 January 2006 by 30 April 2006. Accordingly, the Listing Committee of the Stock Exchange publicly criticised Mr. Wong and another former director of China Oil and Gas Group for their respective breaches mentioned above.

Mr. Mak Ka Wing, Patrick

Mr. Mak, aged 56, joined the Group in July 2017 and was appointed as an independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company. Mr. Mak is a registered solicitor of the High Court of Hong Kong and Managing Partner of Patrick Mak & Tse, Solicitors. Mr. Mak has over 20 years’ legal experience in the legal field. He was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998.

Mr. Mak is currently an independent non-executive director of Fresh Express Delivery Holdings Group Co., Limited (stock code: 1175), whose securities are listed on the Main Board of the Stock Exchange.

Mr. Mak was an independent non-executive director of Fullsun International Holdings Group Co., Limited (stock code: 627) from January 2009 to August 2018, Convoy Global Holdings Limited (stock code: 1019) from March 2017 to November 2017. The securities of these companies are listed on the Main Board of the Stock Exchange. A winding up order against Golden Shield Holdings (Industrial) Limited (in liquidation) was made by the High Court of Hong Kong on 11 May 2015 and the Official Receiver was appointed as its Provisional Liquidator. The subject winding-up petition was filed by a former legal adviser of Golden Shield Holdings (Industrial) Limited (in liquidation) in respect of a claim of approximately HK\$833,000.

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 3 to 7 of this annual report. This discussion forms part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 47 to 108.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 109 of this annual report.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the investment properties and property, plant and equipment held by the Group as at 31 December 2020 are set out in notes 19 and 20 to the consolidated financial statements respectively. Particulars of the properties and property interests of the Group are set out on page 110 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the shareholders of the Company ("Shareholders") as at 31 December 2020 comprised the retained profits of approximately HK\$122,880,000 (2019: HK\$123,102,000).

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year (2019: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 8 to 10 of this annual report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business during the year.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Eric Todd (*Chairman*) (appointed on 26 February 2021)

Dr. Wong Yuen Kuen (*Chairman*) (resigned on 23 December 2020)

Mr. Sheung Kwong Cho

Independent Non-Executive Directors

Ms. Kwan Shan

Mr. Wong Kui Shing, Danny

Mr. Mak Ka Wing, Patrick

Pursuant to articles 73 and 74 of the articles of association of the Company (the "Articles") and code provision A.4.2 of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, Mr. Sheung Kwong Cho and Ms. Kwan Shan shall retire by rotation from office at the forthcoming annual general meeting of the Company (the "AGM"). They, being eligible, have offered themselves for re-election as Directors at the AGM.

Pursuant to Articles 78 of the Articles of Association, Mr. Eric Todd, who were appointed as an executive Director with effect from 26 February 2021 to fill the casual vacancy occasioned by the resignation of Dr. Wong Yun Kuen, shall hold office until the AGM and being eligible, will offer himself for re-election at the AGM.

Details of the Directors offering themselves for re-election are set out in the circular of the Company dated 30 April 2021.

DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, Mr. Eric Todd and Mr. Sheung Kwong Cho are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report were:

Dr. Wong Yuen Kuen (resigned on 23 December 2020)

Mr. Duncan Chiu (resigned on 5 February 2021)

Class Success Limited

DIRECTORS' SERVICE CONTRACTS

Mr. Sheung Kwong Cho has entered into a service agreement with the Company in relation to his appointment as the chief financial officer, company secretary and authorised representative of the Company. He has no fixed term of service unless terminated by at least one month's written notice served by either party at any time during the then existing term.

Mr. Eric Todd, Ms. Kwan Shan, Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick were appointed to the Board pursuant to their respective letters of appointment, for a term of one year, and such appointment may be terminated in accordance with its terms.

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

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

As at 31 December 2020, none of the Directors or chief executives of the Company and their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong (the "SFO")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO discloses no person as having a notifiable interest or short position in the share capital of the Company as at 31 December 2020.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest and the Group's largest customer accounted for approximately 100% and 91% of the total revenue for the Year Under Review, respectively.

The Group's five largest and the Group's largest supplier accounted for approximately 76% and 63% of the total rental operating cost for the Year Under Review, respectively.

At no time during the year did a Director, a close associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's number of issued shares) have an interest in any of the Group's five largest suppliers or customers.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 35 to 42 of this annual report.

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the CG Code.

During the year ended 31 December 2020, the Audit Committee met two times to consider the financial reporting matters. The Audit Committee is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control system, and financial reporting matters including the review of the consolidated financial statements. As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely, Ms. Kwan Shan (chairman of the Audit Committee), Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick.

The final results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results was in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares during the year and up to the latest practicable date of this annual report.

EMOLUMENT POLICY

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in notes 14 and 16 to the consolidated financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

AUDITOR

BDO Limited have been appointed as the auditor of the Company with effect from 30 November 2017 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu as auditor of the Company. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

The consolidated financial statements for the year ended 31 December 2020 were audited by BDO Limited who will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed in the forthcoming annual general meeting of the Company.

APPRECIATION

I would like to express my sincere gratitude to the Board, our management and to all our staff for their dedicated efforts during this year, as well as to our customers, suppliers, business partners and Shareholders for their continuous and full support to our Group.

On behalf of the Board

Mr. Eric Todd
Chairman

Hong Kong, 26 March 2021



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This Report is the fifth Environmental, Social and Governance (“ESG”) Report (the “Report”) published by the Far East Holdings International Limited (the “Company”) and its subsidiaries (the “Group”), which aims to provide an overview of the Group’s sustainability strategy, measures, and performance for the period from 1 January 2020 to 31 December 2020 (the “Year Under Review”). The Report is prepared in both Chinese and English. Both versions are available on the Group’s website and Hong Kong Stock Exchange (www.hkexnews.hk).

Reporting Boundary

The Report focuses on the Group’s core business on securities investment and property investment. The reporting boundary, in line with previous year’s, covers the operation of the Group’s registered office in Hong Kong, which accounted for 100% of the total revenue of the Group’s continuous operation.

Reporting Standard

The Report is prepared in accordance with the ‘comply or explain’ provisions of the ESG Reporting Guide (the “Guide”) contained in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “SEHK”). The four reporting principles: materiality, quantitative, balance and consistency form the backbone of the Report. A complete index is inserted in the last chapter of the Report for reference.

Data Preparation

The Group is responsible for the accuracy and reliability of the presented information in the Report. The information cited herein is sourced from the official documents. The Group has established internal control system and a formal review process in accordance with the Group’s policies. The Report has been reviewed and approved by the Board of Directors (the “Board”) on 26 March 2021.

Feedback Mechanism

We welcome feedback and suggestions from stakeholders, which will help strengthen the Group’s ESG strategy and future performance. For any questions or comments, please contact the Group through the following channels:

Far East Holdings International Limited

Address: Unit 904, 9/F, Wings Building, 110–116 Queen’s Road Central, Central, Hong Kong
Email: admin@feholdings.com.hk
Fax: (852) 2110 1159

MESSAGE FROM THE MANAGEMENT

The Group is pleased to present the fifth ESG Report. This Report demonstrates our sustainability commitments, initiatives, and performance in the areas of employment system, operational responsibility, environmental protection, and community investment during the year.

2020 was a challenging year as all sectors of the world have been affected by the COVID-19 pandemic, changing our ways of living as well as our business operation. The Group recognises the importance of managing risks towards its business operation to ensure business continuity and to protect the interests of its stakeholders.

As such, the Group remains committed in identifying tangible and intangible risks in the operation and establishing adaptation and resilience strategies to mitigate the potential negative impacts. As environmental and social factors have become increasingly important, the Group will consider incorporating these ESG factors into the risk management, as well as the investment decision making process. This will help us in managing the environmental and social impacts in the operation and creating value to the surrounding environment and the society.

In cope with the stringent ESG requirements, the Group recognises the Board's involvement and its responsibilities on ESG governance. As the highest governing body of the Group, the Board spares no efforts in overseeing the Group's ESG matters. The Board, together with the employees, uphold the responsibilities of formulating sustainability strategies, reviewing and monitoring the performance, and adopting improvement measures based on the best practices and the industry trends.

The Group places great emphasis on employees' wellbeing and development opportunities. The Group continued to adopt various measures and activities in maintaining a healthy and safe working environment, and enhancing employee satisfaction and wellbeing. In the meantime, the Group continued to implement green office measures to ensure resources are consumed in a sustainable and responsible manner. The Group also took part in volunteering and participating in community services with a focus on elderlies.

Looking ahead, the Group will continue to enhance its sustainability performance and to incorporate sustainability factors into its business strategy and operations.

Mr. Eric Todd
Chairman

Far East Holdings International Limited

ESG GOVERNANCE

Sound corporate governance forms the foundation of the Group's operations and corporate development. The Board has the overall responsibility in overseeing the Group's sustainability matters, such as policies, measures, and performance.

The Board and the two full-time employees meet at least once per year to discuss ESG issues. They share the tasks on ESG matters, including establishing and implementing ESG policies and measures, assessing sustainability performance by data collection, and recommending improvement actions in cope with the ESG risks and opportunities.

Moving forward, the Board is intended to review the key performance indicators ("KPIs") and to formulate sustainability targets for further improvement on ESG performance.

Risk Management

Effective risk management allows corporates in identifying and acting upon potential risks in the operations, including economic, industry, compliance, and operational risks, and guides the Group to formulate and implement coping strategies to respective risks.

The Board, with the assistance of the Audit Committee, assumes the overall responsibility in overseeing the Group's risk management system and internal control systems. The Audit Committee is responsible for identifying major ESG risks and to provide suggestions for risk mitigation. The Group has the Internal Control Manual and Policies in place to provide guidelines on establishing measures to reduce the risks at the appropriate level.

Looking ahead, the Group is intended to consider integrating ESG factors into risk management.

Compliance Management

Effective compliance management reduces the exposures of regulatory risks to the Group. The Group upholds the highest standards of accountability and integrity in complying with laws and regulations. Non-compliance with the laws and regulations will lead to repercussions such as fines, penalties, and other enforcement actions by the regulators.

In this regards, the Group has a risk management system in place and has adopted various policies and control measures to ensure the business operations are meeting the stringent regulatory requirements. These company policies include but not limited to: the Employee Handbook, Internal Control Manual, and the Green Office Policy. While the business is continued to evolve, the Group will review the policies on a regular basis to ensure its alignment with the laws and regulations, industry trends, and stakeholders' expectations.

During the Year Under Review, there was no incidence of non-compliance of the relevant laws and regulations.

Please refer to the Appendix — Compliance with Laws & Regulations for more information.



STAKEHOLDER ENGAGEMENT

Stakeholders play a critical role in sustainability governance and decision making process. It is important for the Group to understand and to respond different key stakeholders’ concerns and needs regarding the ESG matters. The Group engages with different key stakeholders who have influence to the Group’s business and whom the Group has a significant impact on, such as the Management, the staff, the shareholders and investors, the regulators, and the communities etc. The Group has continuously engaged with them through general meetings, interviews, surveys, and day-to-day operation throughout the year.

Materiality Assessment

During the year, the Group has commissioned an independent consultant to conduct a materiality assessment to identify the Group’s material sustainability issues. 6 out of the 12 issues were identified as stated below.

Material Issues	
1)	Employment
2)	Health and safety
3)	Labour standards
4)	Anti-corruption
5)	Use of resources
6)	Product responsibility

CARING FOR OUR EMPLOYEES

The Group’s success depends heavily on employees’ dedication and commitment. The Group is committed in providing an open and inclusive working environment to ensure employees are maintained at a high level of satisfaction. The Group has established the Employee Handbook and Internal Control Manual to provide guidelines on employment, health and safety, training and development, and labour standards.

Employee Management System

The Group endeavours to provide employees a supportive and quality working environment, as well as competitive remuneration and welfare packages. The Group’s Employee Handbook has clearly stated the provisions on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare. The Group also welcomes feedback and opinions from employees, as stated in the Open Door Policy.

Remuneration, benefits and welfare	<p>The Group offers employee competitive remuneration packages, which include basic salary, benefits and welfare. The remuneration is based on the employee's personal performance, contributions to the Group and the Group's overall performance.</p> <p>The Group has also provided employees a group insurance programme and retirement provision.</p>
Working hours and holidays	<p>Employee working hours and leaves are entitled in the employee contract and the Employee Handbook. Employees may enjoy annual leaves, marriage leaves, and maternity leaves.</p>
Diversity and Equality	<p>The Group is committed to provide a fair and inclusive working environment, which employees shall respect each other with dignity. Employment is based on the candidate's personal capabilities and qualifications, regardless of its race, colour, religion, gender, age, national origin, citizenship, disability, or any other protected characteristics, as established by the law.</p>
Non-discrimination and anti-harassment	<p>The Group has zero tolerance towards any forms of discrimination nor harassment. A grievance mechanism is available for reporting violations. All complaints will be proceeded to investigations and follow up actions.</p>
Prevention of child labour and forced labour	<p>Employment of child labour and forced labour are prohibited. The Group verifies the identification documents of the candidate prior to employment to ensure the candidate's eligibility. If a child labour case is discovered, the child labour will be terminated immediately.</p> <p>The Group is committed to ensuring the employment relationships are voluntary. The Employee Handbook states the guideline on reasonable work arrangements. If forced labour cases are discovered, all unreasonable work arrangements will be suspended immediately. Investigations and follow up actions will be conducted.</p>

Employee Health, Safety and Well-being

The Group upholds the highest standard of health and safety and is committed to providing a harmonious working environment for all employees. The Group has policy in place to provide guidelines on safety management and work hazard prevention, such as pandemic diseases, fire hazards, accidents and emergencies, typhoons, and rainstorms arrangements.

Occupational Health and Safety posters are being circulated in the office to enhance the employees' awareness. Vegetarian diet as a healthier option is also encouraged for employee gathering.

While the COVID-19 pandemic has been affecting most peoples' lives in the society, the Group follows the guidelines from the health department to maintain its business operation. Facemasks and sanitising products are also distributed in the office to keep employees safe.

Moving forward, the Group will continue to review the occupational health and safety measures to ensure the employees are working in a safe and pleasant environment.

Training and Development

The Group recognises the importance of employees’ training and development, which aims to enhance their knowledge and work skills, so they can demonstrate their full potentials in their jobs. The Group’s Employee Handbook states its’ approach on training and development.

Measures	<ul style="list-style-type: none"> A mentoring programme is provided for newly hired employee, which guides them to understand the company and the working environment. A mentor is assigned to assist the employee in adapting the office culture quickly.
	<ul style="list-style-type: none"> Employees are also encouraged to enrol external professional training programme by granting an early leave.
Performance	<ul style="list-style-type: none"> During the year, 100% of the employee have received the training.

Besides, an employee appraisal mechanism is in place to provide employee feedback on the performance and resolve any difficulties encountered at work. Employees are also encouraged to provide recommendations and suggestions for future training needs.

OPERATING PRACTICES

Upholding the highest standard of corporate governance and business integrity, the Group is committed to integrating responsible practices in all its business activities. The Group has established the Internal Control Manual and Employee Handbook, which outlines its commitment on anti-corruption, supply chain management, and data privacy.

Anti-Corruption

The Group is committed to maintaining a transparent business operation and to avoid unlawful behaviours such as bribery, extortion, fraud and money laundering, adhere to the laws and regulations. The Group’s Internal Control Manual and the Employee Handbook outline the preventive measures and reporting measures for potential fraud activities.

Preventive measures and reporting procedures	<ul style="list-style-type: none"> The Board and the employees are required to comply with the Code of Corporate Governance Practices.
	<ul style="list-style-type: none"> According to the Internal Control and its procedures, when there is an existing or potential conflict of interests in an investment, the employee shall not continue the investment process, but seek advice from the Conflict of Interest Leader (“CIL”). The CIL will investigate and make an appropriate resolution.
	<ul style="list-style-type: none"> The Group’s Investment Committee is set to review and approve the investments that may be financially material and significant to the Group.
	<ul style="list-style-type: none"> A reporting mechanism is in place for any misconducts or unlawful activities in the Group.
Implementation and monitoring methods	<ul style="list-style-type: none"> The Group will review and update the policies related to anti-corruption on a regular basis to ensure the business operation is well maintained with accountability and integrity.

Protection of Data Privacy

The Group attaches great importance to safeguarding customer confidential information in the course of the business operation. The Internal Control Manual outlines the Group's commitment and a series of measures on data privacy and confidentiality.

The Chief Financial Officer, acting as the Privacy and Confidentiality Leader ("PCL"), is responsible for overseeing the compliance and implementing data protection measures, which include: providing employees information and training on data privacy and confidentiality, developing and maintaining data privacy infrastructure, and reviewing privacy regulations. The PCL is also the ultimate authority in resolving data privacy matters.

To prevent unauthorised or accidental saving, transfer, deletion, loss or use of personal data, the Group requires all employees to sign a confidentiality agreement and to acknowledge their obligation on safeguarding the confidential information in line with the laws and regulations.

Looking ahead, the Group will continue to review its data privacy policies to ensure it is up to date and meets the needs in the business operation.

In the meantime, the Group will consider establishing other product responsibility policies, such as rental, client communication and advertising, as they are becoming increasingly important among the industries and relevant stakeholders.

Supply Chain Management

The Group is dedicated to ensuring a fair and open procurement process. The Group has formulated a set of supplier selection criteria to select the most appropriate suppliers. These criteria focus on price, reputation, product safety, environmental performance and social responsibility.

As part of the green procurement practices, the Group gives priorities to suppliers who offer sustainable products and materials, such as office supplies that carries energy saving labels and recyclable contents. In the meantime, the Group encourages employees to minimise packaging where possible to reduce waste.

During the Year Under Review, the Group has sourced a total of 26 suppliers in Hong Kong, mainly are office supplies and professional services.

Moving forward, the Group will consider to further enhance its supply chain risk management by identifying and managing environmental and social risks, so as to minimise the negative impact of the procurement process.

PROTECTING THE ENVIRONMENT

As weather events brought by climate change become more frequent and severe, the Group recognises the importance of managing environmental risks and opportunities as they may affect its business operation and the surrounding communities. The Group is committed to mitigating its environmental impacts in the daily operation. The Group has formulated the Green Office Policy, which states its commitments and measures on resource management, emissions, and utilisation of natural resources.

Resource Management

The major energy consumption of the Group were petrol consumption by vehicles and electricity consumption. The Group has taken a series of measures throughout the business operation to reduce resource consumption and improve resource efficiency, such as:

- Remind employees to switch off the lights and air conditioners when they are not in use or after work
- Select energy saving modes, such as automatic sleep and wake modes, for printers, copiers, and other electronic equipment
- Select double-sided printing as default mode
- Adopt electronic communications and filing

Energy consumption

Type	Energy	Consumption (MWh)		Percentage change (%)
		Year 2020	Year 2019	
Direct energy	Petrol	34.0	80.4	-57.7%
Indirect energy	Electricity	13.2	9.3	+41.9%
Total energy consumption		47.2	89.7	-47.4%

During the Year Under Review, the Group has consumed a total of 47.2 MWh of energy, which dropped 47.4% compared with the previous year. The use of petrol for vehicles remained as the majority of the energy consumption, which accounted for 72.0% of the total energy consumption. The remaining energy consumption was sourced from purchased electricity, which accounted for 28.0% of the total consumption.

Compare with the previous year, the petrol consumption in 2020 has been reduced by 57.7%, which is mainly due to the disposal of one vehicle in February 2020. However, the consumption of electricity in 2020 has been increased by 41.9%, this is mainly due to the use of split-typed air-conditioning after relocating to the new office in April 2020.

As fresh water remains one of the scarce natural resources, the Group is committed to ensuring fresh water is being consumed in a sustainable manner. The Group promises to avoid the use of bottled water in the office and during meetings and encourage employees to use the tap water. The Group withdraws potable water from the municipal supply. There is no issue in sourcing water for business operations.

Emission Management

To assess the Group's environmental performance, the Group has engaged a professional consultancy to conduct the carbon assessment to quantify the greenhouse gas ("GHG") emissions from its business operations. The quantification process follows the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong.

GHG emissions

Scope	Emission Source	GHG Emissions (tonnes of CO ₂ -e)		Percentage change (%)
		Year 2020	Year 2019	
Scope 1: Direct GHG Emissions	Fossil fuel combustion — petrol	9.8	23.2	-57.8%
	Fugitive emissions from equipment and systems	0.6	0.6	0.0%
	Scope 1 Sub-total	10.4	23.8	-56.3%
Scope 2: Energy Indirect GHG Emissions	Purchased electricity	10.7	7.5	+42.7%
	Scope 2 Sub-total	10.7	7.5	+42.7%
Scope 3: Other Indirect GHG Emissions	Paper waste disposal	5.0	17.5	-71.4%
	Freshwater & sewage processing	0.01	N/A	N/A
	Business Travel by air	N/A	N/A	N/A
	Scope 3 Sub-total	5.0	17.5	-71.4%
Total GHG emissions		26.1	48.8	-46.5%

During the Year Under Review, the Group has emitted 26.1 tonnes of carbon dioxide equivalent (CO₂-e). The major sources of carbon emissions are mainly from purchased electricity and fuel combustion from vehicles, which accounted for 41.0% and 39.8% of the total GHG emissions respectively. The remaining emissions are sourced from paper waste disposal, fugitive emissions from equipment and systems, and freshwater and sewage processing which accounted for 5.0 tonnes, 0.6 tonnes, and 0.01 tonnes of the CO₂-e respectively. Compared with the previous year, emissions from paper waste disposal and fuel combustion of vehicle have been significantly reduced by 71.4% and 57.8% respectively.

In regards to 19% of GHG emissions from paper waste disposal, the Group encourages employees to avoid printing meeting materials, to adopt e-communications, and to recycle used papers for other purposes.

During the Year Under Review, the Group has also involved emissions of nitrogen oxides (NO_x), sulphur oxides (SO_x), and respirable suspended particulates (RSP) in the business operation. The emissions of NO_x, SO_x, and RSP this year were 1.5, 0.1, 0.1 kg respectively, mainly sourced from the fuel combustion of the vehicles. Compared with the previous year, NO_x and RSP were reduced by 64.3% and 66.7% respectively, while there was no change for SO_x.

To reduce its air emissions, the Group plans to purchase an electric vehicle and to replace the existing vehicle. The Group also encourages employees to avoid business travelling and conduct meetings through teleconferencing and video-conferencing.

The Group is committed to continuously reducing waste across the operation. During the year, the Group has generated 0.003 tonnes of hazardous waste, which include waste batteries, waste fluorescent light tubes and waste toner cartridges. Waste batteries and waste toner cartridges were recycled, while waste fluorescent light tubes were disposed to landfills. Besides, the Group has also generated 0.121 tonnes of non-hazardous waste, which include domestic waste and paper. The domestic waste generated are collected by the property management and proceeded to landfills, while the paper were collected for recycling.

Moving forward, the Group will consider to formulating reduction strategies and targets as to mitigate the environmental impact of the operation on air emissions, energy, water, materials and waste.

The Environment and Natural Resources

Apart from emissions and use of resources, the Group and its business operation do not have direct significant impact on environmental and natural resources. Nonetheless, the Group acknowledges its investment strategies may create an impact to relevant stakeholders. The Group will consider to incorporate ESG factors into its investment strategies, which may create values to the environment and the society, along with investment returns in the long term. In cope with the threats from the extreme weather events due to climate change, the Group will also formulate policies and measures to identify and mitigate the climate-related impacts generated by the Group and those impact the Group.

INVESTING IN SOCIETY

As a responsible corporate citizen, the Group endeavours to support the vulnerable groups and the surrounding communities by understanding their needs and participating in the volunteering services.

During the Year Under Review, the Group has supported Hong Kong Movie Star Sports Association Charities Limited and Senior Citizen Home Safety Association with a total contribution of 37.5 volunteering hours in supporting their community programme, such as home visits and outings with the elderlies.

Home Visits to the Elderlies

Our employees, in collaboration with the Hong Kong Movie Star Sports Association and social workers, conducted home visits to elderly residents. They delivered daily necessities and rice and to celebrate traditional festivals with the elderlies.

Visits to Homeless People

In collaboration with the Senior Citizen Home Safety Association, our employees made visits to homeless people. The visits provided an opportunity for our employees to understand their needs and to express our warm greetings.



APPENDIX — COMPLIANCE WITH LAWS & REGULATIONS

Aspects	Related Regulations and Ordinance with Significant Impact	Compliance Performance
Emissions	<ul style="list-style-type: none"> • Air Pollution Control Ordinance • Waste Disposal Ordinance 	Not aware of any non-compliance
Employment and Labour Standards	<ul style="list-style-type: none"> • Employment Ordinance • Minimum Wage Ordinance • Employees’ Compensation Ordinance 	Not aware of any non-compliance
Health and Safety	<ul style="list-style-type: none"> • Occupational Safety and Health Ordinance • Employees’ Compensation Ordinance 	Not aware of any non-compliance
Product Responsibility	<ul style="list-style-type: none"> • Copyright Ordinance • Personal Data (Privacy) Ordinance 	Not aware of any non-compliance
Anti-corruption	<ul style="list-style-type: none"> • Prevention of Bribery Ordinance • Anti-Money Laundering and Counter-Terrorist Financing Ordinance 	Not aware of any non-compliance

ESG PERFORMANCE SUMMARY

Environmental Performance

Environmental KPIs		Quantity			Unit
		Year 2020	Year 2019	Year 2018	
A1.1	Air emissions				
	Nitrogen oxides (NO _x)	1.5	4.2	4.2	kg
	Sulphur oxides (SO _x)	0.1	0.1	0.1	kg
	Respirable suspended particulates (RSP)	0.1	0.3	0.3	kg
A1.2	Greenhouse gas (GHG) emissions				
	Scope 1	10.4	23.8	23.9	tonnes CO ₂ -e
	Scope 2	10.7	7.5	8.3	tonnes CO ₂ -e
	Scope 1 and 2 Total GHG emissions	21.1	31.3	32.2	tonnes CO ₂ -e
	Scope 3	5.0	17.5	10.7	tonnes CO ₂ -e
	Scope 1, 2 and 3 Total GHG emissions	26.1	48.8	42.9	tonnes CO ₂ -e
	GHG emissions intensity	3.7	7.0	6.1	tonnes CO ₂ -e/ employee
A1.3	Hazardous waste				
	Total hazardous waste ¹	0.003	0.002	0.004	tonnes
	Hazardous waste intensity	0.0004	0.0003	0.0010	tonnes/employee
A1.4	Non-hazardous waste				
	Total non-hazardous waste	0.121	0.103	0.095	tonnes
	Non-hazardous waste intensity	0.02	0.01	0.01	tonnes/employee
A2.1	Energy consumption				
	Petrol	34.0	80.4	79.3	MWh
	Purchased electricity	13.2	9.3	10.5	MWh
	Total energy consumption	47.2	89.7	89.8	MWh
	Energy consumption intensity	11.8	12.8	12.8	MWh/employee
A2.2	Water consumption				
	Total water consumption	13.1	– ²	24.0	m ³
	Water consumption intensity	1.9	–	3.4	m ³ /employee
A2.5	Packaging materials				
	Total packaging materials	No packaging material was used			N/A
	Packaging material intensity				N/A

¹ Hazardous waste includes waste batteries, waste fluorescent light tubes and waste toner cartridges.

² There was no individual water meter for water consumption in the Sheung Wan office.

Social Performance

Total workforce	2020		2019	
Total workforce	7		7	
Distribution by gender	Male	Female	Male	Female
Total workforce by gender	4	3	4	3
Workforce ratio by gender	1.33: 1		1.33: 1	
Distribution by employment type	Male	Female	Male	Female
Full-time	4	3	4	3
Part-time	0	0	0	0
Distribution by age group	Male	Female	Male	Female
Below 30	0	0	0	0
30 to 50	1	2	1	2
Above 50	3	1	3	1
Distribution by employee category	Male	Female	Male	Female
Senior management	4	1	4	1
Middle management	0	1	0	1
General staff	0	1	0	1

New employees	2020		2019	
Number of new employees	0		0	
New employees rate	-		-	
Distribution by gender	Male	Female	Male	Female
Number of new employees by gender	0	0	0	0
Distribution by age group	Male	Female	Male	Female
Below 30	0	0	0	0
30 to 50	0	0	0	0
Above 50	0	0	0	0
Distribution by employee category	Male	Female	Male	Female
Senior management	0	0	0	0
Middle management	0	0	0	0
General staff	0	0	0	0

Employee turnover	2020		2019	
Total employee turnover	0		0	
Employee turnover rate	-		-	
Distribution by gender	Male	Female	Male	Female
Number of employee turnover by gender	0	0	0	0
Distribution by age group	Male	Female	Male	Female
Below 30	0	0	0	0
30 to 50	0	0	0	0
Above 50	0	0	0	0
Distribution by employee category	Male	Female	Male	Female
Senior management	0	0	0	0
Middle management	0	0	0	0
General staff	0	0	0	0

Work-related fatality and/or injury	2020		2019	
Gender	Male	Female	Male	Female
Number of work-related fatalities/injury	0	0	0	0
Work-related fatality/injury Rate	0%	0%	0%	0%
Lost days due to work injury	0	0	0	0
Number of days of absence from work	0	0	0	0

Employee trained	2020		2019	
Number of employees received training	7		7	
Rate of employees received training	100%		100%	
Distribution by employee category	Male	Female	Male	Female
Senior management	4	1	4	1
Middle management	0	1	0	1
General staff	0	1	0	1

Total employee training hours	2020		2019	
Total training hours	880		1,880	
Distribution by employee category	Male	Female	Male	Female
Senior management	40	30	40	30
Middle management	–	800	–	1,800
General staff	–	10	–	10

Average employee training hours	2020		2019	
Average training hours	125.7		268.6	
Distribution by employee category	Male	Female	Male	Female
Senior management	10	30	10	30
Middle management	–	800	–	1,800
General staff	–	10	–	10

Supply Chain Management	2020	2019
Number of suppliers (location)	26 (Hong Kong: 100%)	26 (Hong Kong: 100%)

Community Investment	2020	2019
Number of volunteer hours	37.5	111

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index
A. Environmental		
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.	23–25, 27
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A1.2	Greenhouse gas emissions in total and intensity.	24–25, 28
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A1.4	Total non-hazardous waste produced and intensity.	25, 28
A1.5	Description of measures to mitigate emissions and results achieved.	24–25, 28
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	25, 28
A2 Use of Resources		
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A2.2	Water consumption in total and intensity.	28
A2.3	Description of energy use efficiency initiatives and results achieved.	23, 28
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	23, There is no issue in sourcing water.
A2.5	Total packaging material used for finished products.	Not applicable
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	23, 25
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	25

Material Aspect	Content	Page Index
B. Social		
B1 Employment		
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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	19–20, 27
B1.1	Total workforce by gender, employment type, age group and geographical region.	29
B1.2	Employee turnover rate by gender, age group and geographical region.	30
GRI 401-1	Total number of and rate of new employee hires by gender, age group and geographical region	29
B2 Health and Safety		
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 providing a safe working environment and protecting employees from occupational hazards.	19–20, 27
B2.1	Number and rate of work-related fatalities.	30
B2.2	Lost days due to work injury.	30
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	20
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	19, 21
B3.1	The percentage of employees trained by gender and employee category.	31
B3.2	The average training hours completed per employee by gender and employee category.	31
B4 Labour Standards		
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 preventing child and forced labour.	19–20, 27
B4.1	Description of measures to review employment practices to avoid child and forced labour.	20

Material Aspect	Content	Page Index
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	21–22
B5.1	Number of suppliers by geographical region.	22, 31
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	22, 31
B6 Product Responsibility		
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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	21–22, 27
B7 Anti-corruption		
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 bribery, extortion, fraud and money laundering.	21, 27
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting year and the outcomes of the cases.	There is no concluded legal cases during the reporting year.
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	21
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.	26
B8.2	Resources contributed to the focus area.	26, 31

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in this annual report for the year ended 31 December 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, the Company has complied with all the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company did not officially have a chief executive officer. The daily operation of the Group's business is handled by the executive Directors collectively. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who meet from time to time to discuss issues affecting the operations of the Group. As there is a clear division of responsibilities of each Director, the vacancies of chief executive officer and chairman did not have any material impact on the operations of the Group. The Board will continue to review the effectiveness of the Group's structure as business continues to develop in order to assess whether any changes, including the appointment of a chief executive officer, is necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Year Under Review.

THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board, while the management of the Company is responsible for the daily management and operations of the Group. The Board is directly accountable to the Shareholders and is responsible for preparing the accounts.

During the Year Under Review, the management of the Company provided (i) sufficient explanation and information to the Board to enable it to make an informed assessment of the financial and other information put before it for approval; and (ii) all the Directors with timely updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Board Composition

The Board currently comprises five Directors, whose biographical details are set out in the “Profile of the Directors” on pages 8 to 10 of this annual report. Two of the Directors are executive and three are independent non-executive. The three independent non-executive Directors bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contributes to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required to devote sufficient business time to the business and affairs of the Group.

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company at www.0036.com.hk.

To the best of the knowledge and belief of the Directors, there is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

Appointment, Re-election and Removal of Directors

In accordance with article 73 of the Articles, at the annual general meeting of the Company, 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 to but not exceeding one-third, shall retire from office.

In accordance with article 78 of the Articles, a director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

In accordance with article 80 of the Articles, the Company may by an ordinary resolution remove any Director (including a managing or other executive Director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office, and may by an ordinary resolution appoint another person in his stead.

The Company has taken out appropriate and sufficient insurance coverage on Directors’ liabilities in respect of legal actions taken against the Directors arising from the corporate activities.

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation in respect of his/her independence during the Year Under Review pursuant to Rule 3.13 of the Listing Rules. All the independent non-executive Directors are still considered to be independent.

Board Meetings

The Board meets regularly to review the financial and operating performance of the Group and considers and approves the overall strategies and policies of the Group. An agenda accompanying the Board/committee papers is distributed to the Directors/members of the Board committees with reasonable notice in advance of the meetings. Minutes of the Board meetings and Board committees meetings, which record in sufficient details the matters considered by the Board/members of the Board committees and decisions reached, including any concerns raised by the Directors/members of the Board committees or dissenting views expressed, are kept by the company secretary of the Company and open for inspection by the Directors. Full Board meetings were held for any material transactions instead of by way of written resolutions and the independent non-executive Directors who, and whose close associates, have no material interest in the transactions were present at such meetings. All the Directors have separate and independent access to the Company’s senior management to fulfill their duties, and to independent professional advice in appropriate circumstances upon reasonable request, at the expense of the Company.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2020, five Board meetings and one general meeting were held. The attendance record of each Director at the Board meetings and the general meeting is set out in the table below:

	Board meeting attended/ Eligible to attend	General meeting* attended/ Eligible to attend
Executive Directors		
Mr. Eric Todd (appointed on 26 February 2021)	0/0	0/0
Dr. Wong Yun Kuen (resigned on 23 December 2020)	5/5	1/1
Mr. Sheung Kwong Cho	5/5	1/1
Independent Non-Executive Directors		
Ms. Kwan Shan	5/5	1/1
Mr. Wong Kui Shing, Danny	5/5	1/1
Mr. Mak Ka Wing, Patrick	2/5	1/1

* The meeting was the annual general meeting held on 5 June 2020.

Continuous Professional Development

According to the records maintained by the Company, the Directors have participated in the following forms of continuous professional development to develop and refresh their knowledge and skills in compliance with the requirements of the CG Code on continuous professional development for the year ended 31 December 2020:

Directors	Attending in-house briefings	Giving talks	Attending training conducted by professional parties	Reading materials relevant to director's duties and responsibilities
Executive Directors				
Mr. Eric Todd (appointed on 26 February 2021)	-	-	✓	✓
Dr. Wong Yun Kuen (resigned on 23 December 2020)	✓	✓	✓	✓
Mr. Sheung Kwong Cho	✓	-	✓	✓
Independent non-executive Directors				
Ms. Kwan Shan	-	-	✓	✓
Mr. Wong Kui Shing, Danny	-	-	-	✓
Mr. Mak Ka Wing, Patrick	-	-	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman is held by Mr. Eric Todd. The Company has not had a designated chief executive officer and the day-to-day management of the Group's business is handled by the executive Directors collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The existing independent non-executive Directors are appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company.

During the Year Under Review, the independent non-executive Directors made positive contributions to the development of the Company's strategies and policies through independent, constructive and informed comments.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective risk management and internal control system of the Group. The Group's risk management and internal control system includes a well-defined management structure with limits of authority which is designed for the achievement of business objectives, detailed risk identification procedures and risk management process, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant laws and regulations.

During the Year Under Review, the Board through the Audit Committee had conducted review on the risk management of the Group. The review covered risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement.

The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time. During the Year Under Review, the Board, through the Audit Committee and an independent accounting firm, has conducted a review of the effectiveness of the internal control system of the Company and is satisfied that the internal control systems within the Group are effective.

AUDITOR'S REMUNERATION

For the year ended 31 December 2020, the auditors of the Company received approximately HK\$550,000 for audit services (2019: HK\$600,000).

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparation of the consolidated financial statements of the Group for the year ended 31 December 2020 which give a true and fair view of the state of affairs of the Group, and are prepared in accordance with the applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements of the Group. The statement of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 43 to 46 of this annual report.

BOARD COMMITTEES

The Board has established the following Board committees to oversee the particular aspects of the Group's affairs.

Audit Committee

The Audit Committee was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the CG Code and are available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

The Audit Committee is principally responsible for reviewing with the management of the Company, the accounting principles and practices adopted by the Group and the auditing, risk management and internal control system, financial reporting matters including the review of the consolidated financial statements, and appointment, re-appointment and removal of external auditor and approving its remuneration and terms of engagement and any questions of resignation or dismissal of that auditor. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the Group's audit. Currently, the Audit Committee comprises all the independent non-executive Directors, namely, Ms. Kwan Shan (chairman of the Audit Committee), Mr. Wong Kui Shing, Danny and Mr. Mak Ka Wing, Patrick.

The works performed by the Audit Committee during the Year Under Review are mainly as follows:

- (i) reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2020 and the related interim results announcement and made recommendations to the Board that the same be approved;
- (ii) reviewed the consolidated financial statements of the Group for the year ended 31 December 2020 and the related annual results announcement and auditor's report; and made recommendations to the Board that the same be approved;
- (iii) reviewed external auditor's report to the Audit Committee for the year ended 31 December 2020;
- (iv) reviewed the report of the external auditor and made recommendations to the Board for their re-appointment at the annual general meeting on 5 June 2020;
- (v) reviewed corporate governance internal control systems, internal audit report and effectiveness of risk management system;
- (vi) reviewed the fees for audit and non-audit services provided by the external auditor; and
- (vii) met with the external auditor in the absence of management.

During the year ended 31 December 2020, two meetings were held. The attendance record of each member of the Audit Committee is as follows:

	Audit Committee meeting attended/ Eligible to attend
Ms. Kwan Shan (chairman of the Audit Committee)	2/2
Mr. Wong Kui Shing, Danny	2/2
Mr. Mak Ka Wing, Patrick	2/2

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established by the Board with written terms of reference. The terms of reference of the Remuneration Committee are consistent with the provisions set out in the relevant section of the CG Code, and the same are available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

The Remuneration Committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of Directors and senior management of the Company. No Director is involved in deciding his own remuneration. Currently, the Remuneration Committee comprises all the independent non-executive Directors, namely, Mr. Wong Kui Shing, Danny (chairman of the Remuneration Committee), Ms. Kwan Shan and Mr. Mak Ka Wing, Patrick.

During the Year Under Review, the Company's policy and the structure of the remuneration of all the Directors and senior management of the Company have been reviewed by the Remuneration Committee and recommendations have been made to the Board for approval.

During the year ended 31 December 2020, one Remuneration Committee meeting were held. The attendance record of each member of the Remuneration Committee is as follows:

	Remuneration Committee meeting attended/ Eligible to attend
Mr. Wong Kui Shing, Danny (chairman of the Remuneration Committee)	1/1
Ms. Kwan Shan	1/1
Mr. Mak Ka Wing, Patrick	1/1

Nomination Committee

The nomination committee (the "Nomination Committee") was established by the Board with written terms of reference. The terms of reference of the Nomination Committee are consistent with the provisions set out in the relevant section of the CG Code, and the same are available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

CORPORATE GOVERNANCE REPORT

The Nomination Committee is principally responsible for formulating and making recommendation to the Board regarding the Board composition. Currently, the Nomination Committee comprises all the independent non-executive Directors, namely, Mr. Mak Ka Wing, Patrick (chairman of the Nomination Committee), Ms. Kwan Shan and Mr. Wong Kui Shing, Danny.

The Board approved the adoption of the Board Diversity Policy (the "Policy") in 2013 and revised in December 2018. It sets out the approach to achieve diversity on the Board to enhance the quality of its performance. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. The Nomination Committee will monitor the implementation of the Policy and review the Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will also discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

During the Year Under Review, the structure, size and composition of the Board has been reviewed by the Nomination Committee and the independence of the independent non-executive Directors has been assessed by the Nomination Committee.

During the year ended 31 December 2020, one Nomination Committee meeting was held. The attendance record of each member of the Nomination Committee is as follows:

	Nomination Committee meeting attended/ Eligible to attend
Mr. Mak Ka Wing, Patrick (chairman of the Nomination Committee)	1/1
Ms. Kwan Shan	1/1
Mr. Wong Kui Shing, Danny	1/1

Investment Committee

The investment committee of the Company (the "Investment Committee") was established by the Board with written terms of reference.

The Investment Committee is principally responsible for reviewing and evaluating any investment projects proposed by the Group and making recommendations to the Board on such investment projects. It also monitors the investments of the Group. Currently, the Investment Committee comprises Mr. Eric Todd (chairman of the Investment Committee) and Mr. Sheung Kwong Cho, both of whom are executive Directors, and Mr. Wong Kui Shing, Danny, an independent non-executive Director.

During the Year Under Review, the Investment Committee provided guidance and recommendations to the Board on investment projects.

CORPORATE GOVERNANCE FUNCTIONS

During the Year Under Review, the Board was responsible for performing the functions set out in code provision D.3.1 of the CG Code. The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Company, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

During the Year Under Review, the company secretary of the Company was Mr. Sheung Kwong Cho (“Mr. Sheung”). The biographical details of Mr. Sheung were disclosed on page 8 of this annual report. Mr. Sheung confirmed that he has received not less than 15 hours professional training during the Year Under Review.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communications with the Shareholders and investors. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publications of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company’s website at www.0036.com.hk. The Directors and members of various committees of the Board will attend the AGM and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the websites of the Stock Exchange and the Company at www.0036.com.hk.

DIVIDEND POLICY

The Company do not have any pre-determined dividend payout ratio. In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, results of operations, financial condition, the payment by the Group’s subsidiaries of cash dividends to the Company, future prospects, legal and tax considerations and other factors the Board deems appropriate. The Directors will consider if there is material adverse impact on the Group’s financial and liquidity position arising out of the dividend payments. Dividends may be paid out by way of cash or by other means that the Group considers appropriate.

SHAREHOLDERS’ RIGHTS

Procedures for Convening General Meeting by Shareholders

The procedures for Shareholders to convene a general meeting (including making proposals/moving a resolution at the general meeting) can be found in article 41 of the Articles, which is available on the websites of the Stock Exchange and the Company at www.0036.com.hk.

Procedures for Putting Forward Proposals at General Meetings

The procedures for Shareholders to put forward proposals at the general meetings can be found in article 41 of the Articles, which is available on the websites of the Stock Exchange and the Company at www.0036.com.hk. The procedures for Shareholders to propose a person for election as a Director are available on the website of the Company at www.0036.com.hk.

Procedures for Making Enquiry to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the registered office of the Company by post or by fax at (852) 2110 1159 or by email to admin@feholdings.com.hk. Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to the Shareholders and public investors. The Company updates the Shareholders on its latest business developments and financial performance through its annual and interim reports. The corporate website of the Company (<http://www.0036.com.hk>) has provided an effective communication platform to the public and the Shareholders.

INDEPENDENT AUDITOR'S REPORT



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TO THE MEMBERS OF FAR EAST HOLDINGS INTERNATIONAL LIMITED

遠東控股國際有限公司

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Far East Holdings International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 47 to 108, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Valuation of investment properties

(Refer to notes 4(d) and 19 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 significant judgement associated with the determination of the fair value.

The Group's investment properties are located in Hong Kong and its carrying amount of HK\$1,552,800,000 represented approximately 83% of the Group's total assets as at 31 December 2020. A revaluation loss on the investment properties amounted to HK\$102,100,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

All of the Group's investment properties are stated at fair value and estimated based on the valuations carried out by independent qualified professional valuer (the "Valuer"). The valuations are dependent on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties, which involves management's significant judgement.

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

- Evaluating the Valuer's competence, capabilities and objectivity;
- Obtaining the understanding of valuation approach, process, assumptions and techniques adopted by the Valuer to assess if they are consistent with industry norms;
- Inquiring the reasonableness of the sources of data and key assumptions used by the management and the Valuer to assess if they are relevant, comparable and appropriate; and
- Checking arithmetical accuracy of the resultant calculations.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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 Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Lee Ka Leung, Daniel

Practising Certificate no. P01220

Hong Kong, 26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Continuing operations			
Revenue	7	37,253	39,733
Rental operating cost		(1,892)	(1,187)
Net rental income		35,361	38,546
Dividend income from held-for-trading investments		–	3,236
Other income	8	906	922
Other gains and losses, net	9	50,417	(197,362)
Administrative expenses		(5,501)	(7,148)
Finance costs	10	(21,699)	(21,897)
Profit/(loss) before income tax	11	59,484	(183,703)
Income tax expense	12	(2,396)	(1,954)
Profit/(loss) for the year from continuing operations		57,088	(185,657)
Discontinued operation			
Profit for the year from discontinued operation	13	6,154	32,738
Profit/(loss) for the year		63,242	(152,919)
Other comprehensive income/(expense) for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(879)	(547)
Release of exchange reserve upon deregistration of a subsidiary		(5,717)	–
Other comprehensive expense for the year		(6,596)	(547)
Total comprehensive income/(expense) for the year		56,646	(153,466)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Profit/(loss) for the year attributable to:			
Owners of the Company			
Profit/(loss) for the year from continuing operations		90,301	(149,010)
Profit for the year from discontinued operation		3,138	16,696
		93,439	(132,314)
Non-controlling interests			
Loss for the year from continuing operations		(33,213)	(36,647)
Profit for the year from discontinued operation		3,016	16,042
		(30,197)	(20,605)
		63,242	(152,919)
Total comprehensive income/(expense) attributable to:			
Owners of the Company			
Profit/(loss) for the year from continuing operations		84,584	(149,010)
Profit for the year from discontinued operation		2,690	16,417
		87,274	(132,593)
Non-controlling interests			
Loss for the year from continuing operations		(33,213)	(36,647)
Profit for the year from discontinued operation		2,585	15,774
		(30,628)	(20,873)
		56,646	(153,466)
Earnings/(loss) per share from:			
Continuing operations — Basic (HK cents)	18	8.29	(13.68)
Discontinued operation — Basic (HK cents)	18	0.29	1.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties	19	1,552,800	1,672,600
Property, plant and equipment	20	17,450	220
		1,570,250	1,672,820
Current assets			
Corporate bond	21	2,667	5,000
Held-for-trading investments	22	278,583	149,366
Rental and other receivables	23	7,688	23,667
Amount due from non-controlling interest	24	–	2,680
Tax recoverable		190	156
Deposits held at a financial institution	26	109	3,434
Bank balances and cash	26	14,589	33,911
		303,826	218,214
Current liabilities			
Other payables and accruals	25	19,526	21,269
Bank borrowing	28	472,135	492,662
Lease liabilities	36	–	147
Amount due to non-controlling interest	24	2,868	–
Tax payable		–	6,646
		494,529	520,724
Net current liabilities		(190,703)	(302,510)
Total assets less current liabilities		1,379,547	1,370,310
Non-current liability			
Promissory note	29	187,200	213,200
Net assets		1,192,347	1,157,110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Capital and reserves			
Share capital	30	632,610	632,610
Reserves	32	98,843	11,569
Equity attributable to owners of the Company		731,453	644,179
Non-controlling interests		460,894	512,931
Total equity		1,192,347	1,157,110

The consolidated financial statements on pages 47 to 108 were approved and authorised for issue by the Board of Directors (the "Board") on 26 March 2021 and are signed on its behalf by:

Eric Todd
Director

Sheung Kwong Cho
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital HK\$'000	Exchange reserve HK\$'000	Properties revaluation reserve HK\$'000	Retained earnings HK\$'000	Attributable to owner of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2019	632,610	6,444	3,283	134,435	776,772	3,050	779,822
Loss for the year	-	-	-	(132,314)	(132,314)	(20,605)	(152,919)
Other comprehensive income for the year							
Exchange differences arising on translation of foreign operations	-	(279)	-	-	(279)	(268)	(547)
Total comprehensive income for the year	-	(279)	-	(132,314)	(132,593)	(20,873)	(153,466)
Acquisition of assets through acquisition of a subsidiary (note 31)	-	-	-	-	-	530,754	530,754
Balance at 31 December 2019 and 1 January 2020	632,610	6,165	3,283	2,121	644,179	512,931	1,157,110
Profit/(loss) for the year	-	-	-	93,439	93,439	(30,197)	63,242
Other comprehensive income for the year							
Exchange differences arising on translation of foreign operations	-	(448)	-	-	(448)	(431)	(879)
Release of exchange reserve upon deregistration of a subsidiary	-	(5,717)	-	-	(5,717)	-	(5,717)
Total comprehensive income for the year	-	(6,165)	-	93,439	87,274	(30,628)	56,646
Repayment to non-controlling interest upon deregistration of a subsidiary	-	-	-	-	-	(17,721)	(17,721)
Dividend paid to non-controlling interest	-	-	-	-	-	(3,688)	(3,688)
Balance at 31 December 2020	632,610	-	3,283	95,560	731,453	460,894	1,192,347

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES			
Profit/(loss) before income tax			
— from continuing operations		59,484	(183,703)
— from discontinued operation		5,045	37,473
		64,529	(146,230)
Adjustments for:			
Interest income	8	(676)	(757)
Interest expense	10	21,699	21,897
Fair value loss on investment properties	9	102,100	89,400
Compensation income, net	13	—	(42,634)
Gain on disposal of property, plant and equipment		(200)	(353)
Loss on written off of property plant and equipment		40	—
Unrealised (gain)/loss on held-for-trading investments	9	(146,233)	95,568
Loss allowance on receivables	9	—	1,117
(Reversal of)/provision for loss allowance on amount due from non-controlling interest	13	(5,030)	755
Depreciation of property, plant and equipment		257	367
Depreciation of right-of-use assets		173	400
Gain on deregistration of a subsidiary	9	(5,717)	—
Operating cash flows before movements in working capital		30,942	19,530
Decrease in held-for-trading investments		17,016	322,312
Decrease in inventories		—	1,506
(Increase)/decrease in rental and other receivables		(1,592)	391
Decrease/(increase) in amount due from non-controlling interest		2,680	(935)
(Decrease)/increase in trade and other payables		(1,743)	2,125
CASH FROM OPERATIONS		47,303	344,929
Tax refund		1,304	68
Tax paid		(9,464)	—
NET CASH FROM OPERATING ACTIVITIES		39,143	344,997
INVESTING ACTIVITIES			
Withdrawal of deposits held at a financial institution		23,700	31,521
Placement of deposits with a financial institution		(20,375)	—
Compensation income received		22,601	23,040
Proceed from disposal of property, plant and Equipment		200	496
Interest received		676	757
Acquisition of assets through acquisition of a subsidiary	31	—	(186,152)
Redemption of corporate bond		2,333	—
Repayment to non-controlling interests for deregistration of a subsidiary		(17,721)	—
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		11,414	(130,338)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
FINANCING ACTIVITIES			
Interest paid	41	(21,698)	(21,879)
Dividend paid to non-controlling interest		(3,688)	–
Advance from non-controlling interest		2,868	–
Repayment of mortgage loan	41	(20,527)	(15,396)
Repayment of promissory note	41	(26,000)	(147,800)
Capital elements of lease rental paid	41	(147)	(426)
Interest element of lease rental paid	41	(1)	(18)
NET CASH USED IN FINANCING ACTIVITIES		(69,193)	(185,519)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(18,636)	29,140
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		33,911	5,415
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(686)	(644)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		14,589	33,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

Far East Holdings International Limited (“the Company”) is a limited liability company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Unit 904, 9/F, Wings Building, 110–16 Queen’s Road Central, Central, Hong Kong, which is also its principal place of business.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs — effective on 1 January 2020

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

These new or amended HKFRSs did not have any material impact on the Group’s accounting policies. The Group has not applied any new and revised HKFRSs that are not yet effective for the current accounting period.

(b) New/Revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Annual Improvements Framework	Annual Improvements to HKFRSs 2018–2020 (amendments) ³
Amendment to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendment HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKAS 1	Presentation of Financial Statements ⁵
Amendments to HKFRS 16	COVID-19-related Rent Concessions ¹
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ²

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

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group has so far concluded that the application of these new pronouncements will have no material impact on the Group’s financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the investment properties and financial instruments, which are measured at fair values.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Business combination and basis of consolidation (continued)

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether De facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land and building in Hong Kong	Over 50 years or the remaining terms of the relevant lease if shorter
Building in the People's Republic of China (the "PRC")	Over the shorter of the lease terms of land or estimated useful life of 50 years
Leasehold improvements	10% or over the terms of the lease, whichever is shorter
Lifts, electrical and office equipment	10%–20%
Motor vehicles	20%–30%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Investment property

Investment property is property held either to earn property rental incomes or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leases

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property (see note 4(d)), they are carried at fair value.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leases (continued)

Lease liabilities

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

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

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leases (continued)

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(f) Financial Instruments

(i) **Financial assets**

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

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 market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(i) Financial assets (continued)

Debt instruments (continued)

Fair value through profit or loss ("FVTPL"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on rental and other receivables, financial assets measured at amortised cost and debt investments measured at FVTOCI. ECLs are measured on either of the following bases:

- 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for rental receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(ii) Impairment loss on financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial assets is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(ii) Impairment loss on financial assets (continued)

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(iii) Financial liabilities (continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and accruals, borrowings, promissory note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(h) Revenue recognition

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, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue recognition (continued)

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 amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment 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.

- (i) Property rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.
- (ii) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.
- (iii) Dividend income is recognised when the right to receive the dividend is established.

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

An exception to the general requirement in determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(j) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign currencies (continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(k) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of key management personnel of the Company or the Company's parent
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of 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 key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(a) Critical judgments in applying accounting policies

(i) Investment property

The Group has temporarily sub-let a vacant warehouse but has decided not to treat this property as an investment property because it is not the Group's intention to hold this property in the long-term for capital appreciation or rental income. Accordingly, this property is continuously accounted for as an item of other property, plant and equipment.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(a) Critical judgments in applying accounting policies (continued)

(ii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

Fair value measurement

A number of assets included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted price in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment properties (note 19); and
- Held-for-trading investments (note 22)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker ("CODM") that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Property investment	–	property investment
Securities investment	–	short-term securities investment
Industrial	–	manufacturing and sale of garments

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit/loss that is used by the CODM for assessment of segment performance.

On 14 October 2019, the Group received notification from Jiangsu Government and entered into an agreement with Haimen People's Government in relation to the recovery of the state-owned land use right of a parcel of land owned by the Group. Upon receiving the notification, the Board has decided to cease the business of industrial segment.

The unallocated other operating income mainly represents the interest income and gain on deregistration of a subsidiary. The unallocated expenses mainly represent the head office expenses including directors' emoluments, employee costs, legal and professional fees and finance costs.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2020

	Continuing operations		Discontinued operation	
	Property investment	Securities investment	Industrial	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue				
External revenue (note 7)	37,253	–	–	37,253
Segment results	(78,644)	146,558	5,045	72,959
Other operating income				906
Unallocated expenses				(9,336)
Profit before income tax				64,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT REPORTING (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2019

	Continuing operations		Discontinued operation	Consolidated
	Property investment	Securities investment	Industrial	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue				
External revenue (note 7)	39,733	–	3,555	43,288
Segment results	(65,597)	(103,668)	37,473	(131,792)
Other operating income				922
Unallocated expenses				(15,360)
Loss before income tax				(146,230)

Segment results represent the profit/loss from each segment including items disclosed in other segment information below, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of other operating income and corporate expenses. Unallocated items comprise corporate expenses which are not directly attributable to a particular reportable segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. The segment results of the securities investment segment include the fair value gain or loss on held-for-trading investments, dividend income from held-for-trading investments and administrative expenses directly attributable to the securities investment segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT REPORTING (continued)

(b) Other segment information

The following other segment information is included in the measure of segment profit or loss:

For the year ended 31 December 2020

	Continuing operations		Discontinued operation	Consolidated
	Property investment	Securities investment	Industrial	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of right-of-use assets (note 20)	(173)	–	–	(173)
Depreciation of property, plant and equipment (note 20)	(257)	–	–	(257)
Reversal of loss allowance on amount due from non-controlling interests	–	–	5,030	5,030
Fair value gain on held-for-trading investments	–	146,233	–	146,233
Gain on disposal of held-for-trading investments	–	367	–	367
Fair value loss on investment properties	(102,100)	–	–	(102,100)
Gain/(loss) on disposal of property, plant and equipment	200	–	(40)	160

For the year ended 31 December 2019

	Continuing operations		Discontinued operation	Consolidated
	Property investment	Securities investment	Industrial	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of right-of-use assets (note 20)	(400)	–	–	(400)
Depreciation of property, plant and equipment (note 20)	(30)	–	(337)	(367)
Loss allowance on amount due from non-controlling interests	–	–	(755)	(755)
Loss allowance on receivables	(1,117)	–	–	(1,117)
Fair value loss on held-for-trading investments	–	(95,568)	–	(95,568)
Loss on disposal of held-for-trading investments	–	(11,277)	–	(11,277)
Fair value loss on investment properties	(89,400)	–	–	(89,400)
Gain on disposal of property, plant and equipment	–	–	353	353
Compensation income, net (note 13)	–	–	42,634	42,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT REPORTING (continued)

(c) Segment assets and liabilities

As the CODM reviews the Group's assets and liabilities as a whole on a consolidated basis and assets or liabilities are not allocated to the operating segments, therefore no analysis of segment assets and liabilities is presented.

(d) Revenue from major products and services

Disaggregation of revenue from contract with customers

The following analysis of revenue under HKFRS 15 is disaggregated by timing of revenue recognition.

	Industrial	
	2020	2019
	HK\$'000	HK\$'000
At a point in time — discontinued operation	—	3,555

(e) Geographical information

The Group's revenue from external customers analysed by the geographical location of the customers and information about its non-current assets, by the geographical location of the assets are detailed below:

	Revenue from external customers	
	2020	2019
	HK\$'000	HK\$'000
Continuing operations:		
Hong Kong	37,253	39,733
Discontinued operation:		
Hong Kong	—	593
Japan	—	2,228
Other regions in the People's Republic of China (the "PRC")	—	734
	37,253	43,288

	Non-current assets	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong	1,570,250	1,672,780
Other regions in the PRC	—	40
	1,570,250	1,672,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT REPORTING (continued)

(f) Information about major customers

Revenue from one customer (2019: two customers) individually contributing over 10% of total revenue of the Group is as follows:

	2020 HK\$'000	2019 HK\$'000
Continuing operations:		
Customer A (from property investment segment)	33,897	31,551
Customer B (from property investment segment)	–	4,244

7. REVENUE

Revenue includes property rental income in both year and the net invoiced value of goods sold in 2019. The amount of each significant category of revenue recognised during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
Continuing operations		
Gross rental income from investment properties	37,253	39,733
Discontinued operation		
Sales of goods	–	3,555
	37,253	43,288

8. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Continuing operations		
Included in other income are:		
Interest income from banks and a financial institution	2	7
Interest income from a corporate bond	674	750
Government subsidy	216	–
Sundry income	14	165
	906	922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. OTHER GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Unrealised fair value gain/(loss) on held-for-trading investments	146,233	(95,568)
Realised fair value gain/(loss) on held-for-trading investments	367	(11,277)
Fair value loss on investment properties (note 19)	(102,100)	(89,400)
Loss allowance on receivables	–	(1,117)
Gain on disposal of property, plant and equipment	200	–
Gain on deregistration of a subsidiary (note 38)	5,717	–
	50,417	(197,362)

10. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Interest expenses on lease liabilities	1	18
Interest on bank borrowing	11,820	13,563
Interest on promissory note	9,878	8,316
	21,699	21,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax has been arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Auditor's remuneration (including remuneration for non-audit services)	550	785
Depreciation charge (note 20)		
— Property, plant and equipment	257	30
— Right-of-use assets	173	400
Operating lease rental in respect of low valued leased office equipment	15	15

12. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
The income tax expense comprises:		
Current tax:		
— Hong Kong Profits Tax	1,904	1,954
— Over-provision in respect of prior year	(20)	—
— The PRC Enterprise Income Tax	512	—
Total tax charge for the year from continuing operations	2,396	1,954
Discontinued operations		
Total tax (credit)/charge for the year from discontinued operation (note 13)	(1,109)	4,735
	1,287	6,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. INCOME TAX EXPENSE (continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimate assessable profits for both years.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2019: 16.5%).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) before income tax	59,484	(183,703)
Tax calculated at the domestic income tax rate of 16.5% (2019: 16.5%) (note)	9,815	(30,311)
Tax effect of expenses not deductible for tax purposes	18,201	42,431
Tax effect of revenue not taxable for tax purposes	(26,184)	382
Tax effect of tax losses not recognised	1,710	294
Tax effect of deductible temporary difference not recognised	(661)	(300)
Utilisation of tax losses previously not recognised	(812)	(10,377)
Tax effect of tax concession	(165)	(165)
Over-provision in respect of prior year	(20)	–
The PRC Enterprise Income tax	512	–
Income tax expense	2,396	1,954

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used (which is the Hong Kong Profits Tax rate).

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For the year ended 31 December 2020

13. DISCONTINUED OPERATION

On 14 October 2019, Jiangsu BangBang-Silky Fashion Manufacturer Company Limited ("JBB"), a 51% owned subsidiary of the Company received the notification from Jiangsu Government and entered into an agreement with Haimen People's Government in relation to the recovery of the state-owned land use right of a parcel of land owned by JBB. Pursuant to the agreement, JBB received a compensation of approximately HK\$45,406,000 (equivalent to RMB40,005,000) for the loss of the assets and business on the land, and the compensation were fully received by the Group in November 2019 and January 2020. JBB completed the deregistration on 27 April 2020.

Upon receiving the notification from Haimen People's Government, the Board has decided to cease the garment manufacturing industry business operated by JBB. This business segment is presented as discontinued operation in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The sales, results and cash flows of JBB for the year are presented below:

	2020 HK\$'000	2019 HK\$'000
Discontinued operation		
Revenue	–	3,555
Cost of sales	–	(4,516)
Gross loss	–	(961)
Other income	80	31
Other gains and losses, net	5,030	42,232
Selling and distribution costs	–	(13)
Administrative expenses	(65)	(3,816)
Profit before income tax	5,045	37,473
Income tax credit/(expense)	1,109	(4,735)
Profit for the year	6,154	32,738
Net cash used in operating activities	(156)	(4,221)
Net cash (used in)/generated from investing activities	(14,295)	23,536
Net cash used in financing activities	(7,525)	–
Net cash (outflows)/inflows	(21,976)	19,315
Profit before income tax after charged/(crediting):		
Cost of inventories recognised as expenses	–	4,516
Depreciation of property, plant and equipment	–	337
Employee costs	61	6,015
(Reversal of)/provision for loss allowance on amount due from non-controlling interest	(5,030)	755
Compensation income, net	–	(42,634)
Loss/(gain) on disposal of property, plant and equipment	40	(353)

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14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the five Directors (2019: five Directors), disclosed pursuant to the Listing Rules and the Companies Ordinance, are as follows:

For the year ended 31 December 2020

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
Executive Directors				
Dr. Wong Yun Kuen (Note)	780	–	18	798
Mr. Sheung Kwong Cho	240	910	18	1,168
Independent Non-Executive Directors				
Mr. Wong Kui Shing, Danny	216	–	–	216
Mr. Mak Ka Wing, Patrick	216	–	–	216
Ms. Kwan Shan	216	–	–	216
	1,668	910	36	2,614

Note:

Dr. Wong Yun Kuen has resigned from the position as an executive director on 23 December 2020.

For the year ended 31 December 2019

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total emoluments <i>HK\$'000</i>
Executive Directors				
Dr. Wong Yun Kuen	750	–	18	768
Mr. Sheung Kwong Cho	222	898	18	1,138
Independent Non-Executive Directors				
Mr. Wong Kui Shing, Danny	216	–	–	216
Mr. Mak Ka Wing, Patrick	216	–	–	216
Ms. Kwan Shan	216	–	–	216
	1,620	898	36	2,554

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For the year ended 31 December 2020

14. DIRECTORS' EMOLUMENTS (continued)

The executive Directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Group. The independent non-executive Directors' emoluments shown above were paid for their services as directors of the Company.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year. No emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

15. EMPLOYEE COSTS

	2020 HK\$'000	2019 HK\$'000
Employee costs (including Directors' emoluments (note 14)) comprise		
— Continuing operations		
Wages and salaries	3,182	3,116
Retirement benefit scheme contributions (note (a))	58	58
— Discontinued operation		
Wages and salaries	—	5,052
Retirement benefit scheme contributions	—	963
	3,240	9,189

Note a: The Group operates a Mandatory Provident Fund scheme (MPF Scheme), which is a defined contribution plan funded through payments to trustee-administered funds, for the employees in Hong Kong. Contributions to the MPF Scheme are in accordance with the statutory limits prescribed by the MPF Ordinance. The Group has no further payment obligations once the contribution have been paid.

Assets of the MPF Scheme is held separately from those of the Group and are independently administered and are not included in the consolidated statement of financial position.

16. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, four (2019: three) were Directors of the Company whose emoluments are set out in note 14 above. The emolument of the remaining one (2019: two) highest paid individual was as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	520	1,846
Retirement benefit scheme contributions	18	18
	538	1,864

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For the year ended 31 December 2020

16. FIVE HIGHEST PAID INDIVIDUALS (continued)

The emolument was within the following bands:

	2020 <i>No. of individuals</i>	2019 <i>No. of individuals</i>
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	1

17. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

18. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company	93,439	(132,314)
Less: profit for the year from a discontinued operation	3,138	16,696
Profit/(loss) for the year from continuing operations	90,301	(149,010)

	2020 <i>Number of shares</i>	2019 <i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	1,089,118,593	1,089,118,593

	2020 <i>HK cents</i>	2019 <i>HK cents</i>
Basic earnings/(loss) per share from continuing operations	8.29	(13.68)

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18. EARNINGS/(LOSS) PER SHARE (continued)

From discontinued operation

Basic earnings per share from the discontinued operation is 0.29 HK cents per share (2019: 1.53 HK cents per share), based on the profit for the year from the discontinued operation of HK\$3,138,000 (2019: HK\$16,696,000) and the weighted average number of share for the purpose of basic earnings/loss per share at 1,089,118,593 (2019: 1,089,118,593).

No diluted earnings/(loss) per share is presented for the current and prior years as there were no potential ordinary shares in issue.

19. INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
FAIR VALUE		
At 1 January (level 3 recurring fair value)	1,672,600	164,500
Acquisition of assets through acquisition of a subsidiary (note 31)	–	1,597,500
Reclassification to property, plant and equipment (note 20)	(17,700)	–
Fair value changes recognised in profit and loss	(102,100)	(89,400)
At 31 December (level 3 recurring fair value)	1,552,800	1,672,600

All of the Group's property interests held under operating leases to earn property rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties as at 31 December 2020 and 2019 have been arrived at on the basis of a valuation carried out by Roma Appraisals Limited, an independent qualified professional valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuation technique is direct comparison method based on the market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. There are no change to the valuation technique as compared with 31 December 2019.

The fair value of investment properties is a Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is disclosed above.

There were no transfers into or out of Level 3 during the years ended 31 December 2020 and 2019.

The fair values were determined based on the market approach. The market approach uses prices and other relevant information generated by the market transactions involving comparable properties.

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

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For the year ended 31 December 2020

19. INVESTMENT PROPERTIES (continued)

The fair value as at the end of the reporting period is determined using direct comparison approach by reference to market price of comparable properties in their respective existing states and uses on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales.

Higher premiums or discounts for differences in the quality and characteristics of the Group's properties and the comparables would result in correspondingly higher or lower fair value.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Properties and location	Fair value as at 31 December 2020 HK\$'000	Level	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Industrial property situated in Hong Kong	5,500	3	Market Comparison Approach	Premium or discount for quality of properties (e.g. view, level and condition of the industrial property)	24.3% to 35.4% (2019: 23.3% to 37.8%)
Office buildings situated in Hong Kong	117,300	3	Market Comparison Approach	Premium or discount for quality of properties (e.g. view, level and condition of the office building)	-52.5% to 40.0% (2019: -20.8% to 8.0%)
Commercial property situated in Hong Kong	1,430,000	3	Market Comparison Approach	Premium or discount for quality of properties (e.g. view, level and condition of the commercial property)	-53.2% to 15.1% (2019: -50.6% to 19.2%)

One of the key inputs used in the valuations of investment properties is the sales prices of properties nearby the Group's investment properties, which ranged from HK\$3,892/sq. ft. to HK\$59,976/sq. ft. (2019: HK\$4,066/sq. ft. to HK\$63,234/sq. ft.) where sq. ft. is a common unit of area used in Hong Kong. A decrease in the sales prices would result in a decrease in fair value measurement of the investment properties, and vice versa. The carrying amounts of investment properties shown above comprise:

	2020 HK\$'000	2019 HK\$'000
Commercial property units located in Hong Kong	1,552,800	1,672,600

As at 31 December 2020, an investment property with carrying amount of HK\$1,430,000,000 (2019: HK\$1,510,000,000) was pledged to secured a bank borrowing of the Group (note 28).

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For the year ended 31 December 2020

20. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use asset — Leased properties (note a) HK\$'000	Buildings held for own use (note b) HK\$'000	Building in the PRC HK\$'000	Leasehold improvements HK\$'000	Lifts, electrical and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost							
At 1 January 2019	991	–	11,897	421	29,582	2,614	45,505
Additions	–	–	–	–	54	–	54
Disposal	–	–	–	–	(29,236)	–	(29,236)
Written off	(418)	–	(11,897)	–	–	–	(12,315)
Exchange realignment	–	–	–	–	–	(4)	(4)
At 31 December 2019 and 1 January 2020	573	–	–	421	400	2,610	4,004
Transferred from investment properties (note 19)	–	17,700	–	–	–	–	17,700
Disposal	–	–	–	–	–	(766)	(766)
Written off	(573)	–	–	(421)	(187)	(403)	(1,584)
At 31 December 2020	–	17,700	–	–	213	1,441	19,354
Accumulated depreciation							
At 1 January 2019	–	–	9,368	421	29,296	2,572	41,657
Provided for the year	400	–	175	–	192	–	767
Elimination on disposal	–	–	–	–	(29,093)	–	(29,093)
Elimination on written off	–	–	(9,543)	–	–	–	(9,543)
Exchange realignment	–	–	–	–	–	(4)	(4)
At 31 December 2019 and 1 January 2020	400	–	–	421	395	2,568	3,784
Provided for the year	173	250	–	–	5	2	430
Elimination on disposal	–	–	–	–	–	(766)	(766)
Elimination on written off	(573)	–	–	(421)	(187)	(363)	(1,544)
At 31 December 2020	–	250	–	–	213	1,441	1,904
Net book value							
At 31 December 2020	–	17,450	–	–	–	–	17,450
At 31 December 2019	173	–	–	–	5	42	220

Notes:

- As at 31 December 2019, the Group's right-of-use asset of a lease represented the office leased in Hong Kong.
- As at 31 December 2020, the Group's buildings held for own use represents the ownership interest in leasehold land and buildings in Hong Kong.

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For the year ended 31 December 2020

21. CORPORATE BOND

As at 31 December 2020, the Group held an unsecured corporate bond with a balance of HK\$2,667,000 (2019: HK\$5,000,000), carrying interest at the rate of 15% per annum, which is paid in cash quarterly. The issuer has modified and extended the maturity date from November 2020 to November 2021. The balance was classified as current liability as at 31 December 2020 and 2019.

On initial recognition and subsequent measurements, the Directors consider that the principal amount of corporate bond approximate its fair value.

22. HELD-FOR-TRADING INVESTMENTS

	2020 HK\$'000	2019 HK\$'000
Listed equity securities:		
Hong Kong	278,583	149,366

As at 31 December 2020, held-for-trading investments represent an investment portfolio comprising 20 (2019: 24) equity securities listed in Hong Kong of which 14 (2019: 18) equity securities are/were listed on the Main Board of the Stock Exchange and the remaining 6 (2019: 6) equity securities are listed on GEM of the Stock Exchange.

The fair values of held-for-trading investments have been determined by reference to the quoted market prices available on the Stock Exchange.

23. RENTAL AND OTHER RECEIVABLES

The Group does not have any credit period to the tenants (2019: Nil).

	2020 HK\$'000	2019 HK\$'000
Rental receivables — current and not impaired	6,701	—
Prepayments, deposits and other receivables, net	987	23,667
At 31 December	7,688	23,667

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For the year ended 31 December 2020

23. RENTAL AND OTHER RECEIVABLES (continued)

The aging analysis of debtors, based on invoice date, were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 to 30 days	2,800	–
31 to 60 days	2,800	–
61 to 90 days	1,101	–
Total rental receivables	6,701	–

Details of other receivables net of loss allowance are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Deposits	528	704
Prepayments	75	243
Compensation receivables	–	22,366
Others	384	354
	987	23,667

The others within other receivables do not contain impaired assets.

The table below reconciles the loss allowance for receivables:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	1,120	3
Loss allowance for the year	–	1,117
Written off	(1,117)	–
At 31 December	3	1,120

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24. AMOUNT DUE FROM/(TO) NON-CONTROLLING INTEREST

(a) Amount due from/(to) non-controlling interest of Joy Ease Limited ("Joy Ease")

As at 31 December 2020, the amount due to non-controlling interest represented the loan from shareholder amounted to HK\$2,868,000 (2019: amount due from of HK\$2,680,000) which is unsecured, interest-free, and repayment on demand.

(b) Amount due from non-controlling interest of JBB

As at 31 December 2019, the amount due from non-controlling interest before considering loss allowance of HK\$4,651,000 was unsecured and interest-free.

The amount due from non-controlling interest, net is trade in nature and the Group has a policy of allowing a credit period of 90 days to the non-controlling interests. All the past due balance was impaired.

During the year ended 31 December 2020, the Group recognised a reversal of loss allowance on the amount due from non-controlling interest of HK\$5,030,000 (2019: provision of loss allowance of HK\$755,000) as the Group has received the settlement from the shareholder upon the deregistration of JBB.

The table below reconciles the loss allowance on the amount due from non-controlling interest during the year:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	4,651	4,178
Loss allowance for the year	–	755
Reversal of loss allowance	(5,030)	–
Exchange realignment	379	(282)
At 31 December	–	4,651

The Group recognised loss allowance based on accounting policy stated in note 4(f)(ii).

25. OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rental deposits received	16,084	16,204
Other payables and accruals	3,442	5,065
	19,526	21,269

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26. DEPOSITS HELD AT A FINANCIAL INSTITUTION/BANK BALANCES AND CASH

Bank balances and deposits held at a financial institution carry interest at market rates which ranged from 0.001% to 1.1% (2019: 0.001% to 1.1%) per annum. The deposits held at a financial institution are related to the securities trading accounts maintained by the Group in this institution.

27. DEFERRED TAX

The following are the major deferred tax movements during the current and prior years:

	Unrealised gain on held- for-trading investments	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2019	41,093	(41,093)	–
(Credited)/charged to profit or loss	(27,668)	27,668	–
At 31 December 2019 and 1 January 2020	13,425	(13,425)	–
Charged/(credited) to profit or loss	25,590	(25,590)	–
At 31 December 2020	39,015	(39,015)	–

At the end of the reporting period, the Group has unused tax losses of HK\$452,653,000 (2019: HK\$451,348,000) available for offset against future profits. A deferred tax asset in respect of the tax losses of HK\$236,457,000 (2019: HK\$81,360,000) has been recognised as at 31 December 2020. No deferred tax asset in respect of the remaining tax losses of HK\$216,196,000 (2019: HK\$369,988,000) was recognised due to the unpredictability of future profit streams. As at 31 December 2020 and 2019, all the tax losses may be carried forward indefinitely.

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28. BANK BORROWING

	2020 HK\$'000	2019 HK\$'000
Current		
Bank borrowing due for repayment within one year (note (i))	20,528	20,528
Bank borrowing due for repayment after one year which contain a repayment on demand clause (note (i) & note (ii))	451,607	472,134
	472,135	492,662

Notes:

- (i) The bank borrowing is secured by an investment property to the extent of HK\$1,430,000,000 (2019: HK\$1,510,000,000).
- (ii) The bank borrowing of HK\$451,607,000 as at 31 December 2020 (2019: HK\$472,134,000) is not scheduled to repay within one year. It is classified as current liability as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion. None of the portion of the bank loan due for repayment after one year which contain a repayment on demand clause (and therefore classified as current liability) is expected to be settled within one year.

At the end of the reporting period, bank borrowing was scheduled to repay as follows:

	2020 HK\$'000	2019 HK\$'000
On demand or within one year	20,528	20,528
More than one year, but not exceeding two years	20,528	20,528
More than two year, but not exceeding five years	61,582	61,582
After five years	369,497	390,024
	472,135	492,662

The amount due is based on the scheduled repayment date in the loan agreement and ignore the effect of any repayment on demand clause.

29. PROMISSORY NOTE

The promissory note was issued as part of the consideration for acquisition of 51% equity interests of Joy Ease in April 2019 (note 31). The principal amount of the promissory note is HK\$361,000,000, which carries 5% interest per annum and is matured on the third anniversary from the issue date, 1 April 2019. During the year, the Group repaid part of the principal amounted to HK\$26,000,000 (2019: HK\$147,800,000).

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30. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	2020 HK\$'000	2019 HK\$'000
Issued and fully paid:				
At 1 January and 31 December	1,089,118,593	1,089,118,593	632,610	632,610

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY IN PRIOR YEAR

On 1 April 2019, the Group completed the acquisition of 51% of the issued share capital of Joy Ease Limited ("Joy Ease") at the consideration of HK\$552,418,000 which was settled as to HK\$191,418,000 by cash and HK\$361,000,000 by issue of the promissory note. Joy Ease is principally engaged in property investment and classified under property investment segment. This transaction has been accounted for as an acquisition of assets as the acquisition does not meet the definition of a business combination.

The net assets acquired in the transaction were as follows:

	HK\$'000
Investment properties	1,597,500
Other receivables and deposits	4,032
Bank balances and cash	5,266
Other payables	(15,568)
Bank borrowing	(508,058)
	1,083,172
Non-controlling interests	(530,754)
Net assets acquired	552,418
Equity interest acquired	51%
Satisfied by:	
Consideration paid	191,418
Promissory note (note 29)	361,000
	552,418
Net cash outflow arising on acquisition:	
Cash consideration paid	191,418
Bank balances and cash acquired	(5,266)
	186,152

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For the year ended 31 December 2020

32. RESERVES

(a) The Group

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity. The following describes the nature and purpose of each reserve within owners' equity:

Reserves	Description and purpose
Exchange reserve	Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Properties revaluation reserve	Gains/losses arising on the revaluation of property (other than investment properties). The balance on this reserve is wholly undistributable.
Retained earnings	Cumulative net gains and losses recognised in profit or loss.

(b) The Company — retained earnings

	Retained earnings <i>HK\$'000</i>
Balance at 1 January 2019	121,754
Profit for the year	1,348
At 31 December 2019 (note 42)	123,102
Loss for the year	(222)
At 31 December 2020 (note 42)	122,880

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33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial assets		
Fair value through profit and loss ("FVTPL")	278,583	149,366
Financial assets at amortised cost (including cash and cash equivalents)	24,978	68,449
Financial liabilities		
Amortised cost	681,729	727,278

(b) Financial risk management objectives and policies

Details of the Group's financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

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

No foreign currency denominated monetary assets were held by the Group at 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to interest rate risk as group entities deposit cash at banks and borrow funds at floating interest rates. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. Balances included in interest rate analysis as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank balances and cash (note 26)	14,589	33,911
Bank borrowing (note 28)	(472,135)	(492,662)

The following table indicates the approximate change in the profit after tax in response to reasonably possible changes in an interest rate to which the Group has significant exposure at the end of the reporting period. In determining the effect on loss after tax on the next reporting date, management assumes that the change in interest rate had occurred at that date and all other variables remain constant. There is no change in the methods and assumptions used in 2020 and 2019.

	2020 Increase/ (decrease) on loss after tax <i>HK\$'000</i>	2019 Increase/ (decrease) on loss after tax <i>HK\$'000</i>
Hong Kong Interbank Offered Rate		
— Increase by 100 basis points	(3,796)	(3,949)
— Decrease by 100 basis points	3,796	3,949

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33. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(iii) Price risk

The Group engaged in short-term securities investment and is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. Management manages the exposure to price risk by maintaining a portfolio of investments with different risks and return profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of the respective held-for-trading investments had been 10% (2019: 10%) higher/lower, the post-tax loss of the Group for the year would increase/decrease by HK\$23,262,000 (2019: increase/decrease by HK\$12,472,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

Rental receivables

The Group has significant concentration of credit risk on rental receivables from a tenant. The management of the Group mainly considers the tenant's repayment history and financial position. The Group measures loss allowances for rental receivables at an amount equal to 12 months ECLs, which is assessed on an individual debtor basis. As at 31 December 2020, the management of the Group assessed that expected credit loss allowance for rental receivables is immaterial under 12 months ECLs method (2019: HK\$1,117,000).

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33. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

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

The contractual maturities of financial liabilities of the Group are shown as below:

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>
As at 31 December 2020					
<i>Non-derivatives</i>					
Other payables and accruals	19,526	19,526	19,526	–	–
Borrowings	472,135	472,135	472,135	–	–
Amount due to non-controlling interest	2,868	2,868	2,868	–	–
Promissory note	187,200	199,680	9,360	190,320	–
	681,729	694,209	503,889	190,320	–

As at 31 December 2019

<i>Non-derivatives</i>					
Other payables and accruals	21,269	21,269	21,269	–	–
Borrowings	492,662	492,662	492,662	–	–
Lease Liability	147	148	148	–	–
Promissory note	213,200	239,863	10,860	10,860	218,143
	727,278	753,942	524,939	10,860	218,143

As explained in note 28, bank borrowing of HK\$472,135,000 with clause which give the bank the unconditional right to call the loan at any time is classified under current liabilities in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

However, management considers that the possibility of such clause being executed by bank is remote and expects such term loans would be repaid in accordance with the agreed repayment schedule based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date). The expected repayment schedule of the Group's bank borrowing is shown as below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
On demand or within one year	31,847	40,171
More than one year, but not exceeding two years	31,347	39,339
More than two years, but not exceeding five years	91,039	113,029
After five years	451,673	542,077
	605,906	734,616

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

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

	Fair value 2020 HK\$'000	2019 HK\$'000	Fair value hierarchy	Valuation techniques and key inputs
Listed equity securities in Hong Kong classified as held-for-trading investments	278,583	149,366	Level 1	Quoted prices in an active market

There were no transfers between Level 1, 2 and 3 in the current and prior years.

The Group is exposed to equity price risk through its investments in listed equity securities classified as held-for-trading investments. During the year ended 31 December 2020, the appreciation of share prices in the Hong Kong stock market has resulted in unrealised fair value gain recognised in profit or loss (note 9).

(ii) Financial instruments that are recorded at amortised cost

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

34. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

The Group considers total equity when reviewing its capital risk management, which was HK\$1,192,347,000 as at 31 December 2020 (2019: HK\$1,157,110,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

35. OPERATING LEASES

The Group as lessor

The Group's investment properties are leased to a number of tenants for varying terms. The rental income earned during the year ended 31 December 2020 was HK\$37,253,000 (2019: HK\$39,733,000).

The minimum rent receivables under non-cancellable operating leases are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not later than one year	49,410	52,139
Later than one year and not later than two years	–	50,713
	49,410	102,852

36. LEASES

The Group as lessor

The Group's investment properties are leased to a number of tenants for varying terms. The rental income earned during the year ended 31 December 2020 was HK\$37,253,000 (2019: HK\$39,733,000).

The minimum rent receivables under non-cancellable operating leases are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not later than one year	49,410	52,139
Later than one year and not later than two years	–	50,713
	49,410	102,852

The Group as a lessee

The Group leases one property in the jurisdictions from which it operates. The remaining contractual maturities of the Group's lease liabilities at the end as of 31 December 2019 are as follows:

Future lease payments are due as follows:

	Minimum lease payments 31 December 2019 <i>HK\$'000</i>	Interest 31 December 2019 <i>HK\$'000</i>	Present value 31 December 2019 <i>HK\$'000</i>
Not later than one year	148	(1)	147

The Group did not have any lease liabilities as of 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. RELATED PARTY TRANSACTIONS

The Group had the following related party transaction during the year:

Compensation of key management personnel

The remunerations of Directors and other members of key management of the Group during the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Short-term benefits	2,578	2,518
Post-employment benefits	36	36
	2,614	2,554

The remunerations of Directors and key executives are determined by the Remuneration Committee of the Company having regard to the performance of individuals and market trends.

38. DEREGISTRATION OF A SUBSIDIARY

During the year, the Group deregistered a subsidiary, namely Jiangsu BangBang-Silky Fashion Manufacturer Company Limited. A gain in respect of the deregistration amounted to HK\$5,717,000 was recognised in the consolidated statement of profit or loss, which mainly arising from release of exchange reserve in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

39. INTEREST IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued registered capital	Proportion of ownership interest held by the Company				Principal activities
			Direct		Indirect		
			2020	2019	2020	2019	
Coast Holdings Limited	Hong Kong	HK\$100,000 Ordinary shares	-	-	100%	100%	Property investment
Far East Holdings China Limited	Hong Kong	HK\$2 Ordinary shares	100%	100%	-	-	Investment holding
Far East Holdings (Jiangsu) Limited	Hong Kong	HK\$10,000 Ordinary shares	-	-	100%	100%	Investment holding
Far East Technology International Limited	Hong Kong	HK\$10,000 Ordinary shares	-	-	100%	100%	Investment holding
Gold Sky Investments Limited	Hong Kong	HK\$1 Ordinary shares	100%	100%	-	-	Securities investment
Gold Sky Finance Limited	Hong Kong	HK\$100 Ordinary shares	-	-	100%	100%	Dormant
Gold Sky Property Investment Limited	Hong Kong	HK\$1 Ordinary share	100%	100%	-	-	Property investment
Jiangsu BangBang Silky Fashion Manufacturer Company Limited ("JBB")	The PRC*	US\$3,940,000 paid up registered capital	-	-	-	51%	Manufacturing and sale of garment products
Joy Ease Limited	British Virgin Islands/ Hong Kong	US\$100 Ordinary share	-	-	51%	51%	Property investment (note i)
Joy Wide Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary share	100%	100%	-	-	Investment holding
Lead Power Investments Limited	BVI/Hong Kong	US\$1 Ordinary share	-	-	100%	100%	Investment holding
Marvel Star Group Limited	BVI/Hong Kong	US\$1 Ordinary share	100%	100%	-	-	Investment holding
Wings Property Investments Limited	Hong Kong	HK\$20,000 Ordinary shares	-	-	100%	100%	Property investment

* Sino-foreign equity joint venture

Notes:

- (i) The Group acquired 51% of equity interest of the subsidiary during the year ended 31 December 2019 as detailed in note 31.
- (ii) The Company had completed the deregistration process on 27 April 2020.

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

40. NON-CONTROLLING INTERESTS

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020	2019	2020	2019
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
JBB	The PRC	-	49%	3,016	16,042	-	18,824
Joy Ease Limited	British Virgin Islands	49%	49%	(33,213)	(36,647)	460,894	494,107

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

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd.

	2020 HK\$'000	2019 HK\$'000
Current assets	-	44,624
Non-current assets	-	40
Current liabilities	-	(5,888)
Equity attributable to owners of the Company	-	19,957
Non-controlling interests	-	18,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

40. NON-CONTROLLING INTERESTS (continued)

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd. (continued)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	–	3,555
Other income/(expenses), net	6,154	29,183
Profit for the year	6,154	32,738
Profit attributable to owners of the Company	3,138	16,696
Profit attributable to the non-controlling interests	3,016	16,042
Profit for the year	6,154	32,738
Other comprehensive income attributable to owner of the Company	(448)	(279)
Other comprehensive income attributable to the non-controlling interests	(431)	(268)
Other comprehensive income for the year	(879)	(547)
Total comprehensive income attributable to owner of the Company	2,690	16,417
Total comprehensive income attributable to the non-controlling interests	2,585	15,774
Total comprehensive income for the year	5,275	32,191
Net cash used in operating activities	(156)	(4,221)
Net cash (used in)/from investment activities	(14,295)	–
Net cash used in financing activities	(7,525)	23,536
Net cash (outflows)/inflows	(21,976)	19,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

40. NON-CONTROLLING INTERESTS (continued)

Joy Ease Limited — newly acquired in 2019 (note 31)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current assets	18,090	15,737
Non-current assets	1,430,000	1,510,000
Current liabilities	(507,488)	(517,355)
Equity attributable to owners of the Company	479,708	514,275
Non-controlling interests	460,894	494,107
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	33,897	35,909
Expenses	(101,677)	(110,699)
Loss and total comprehensive income for the year	(67,780)	(74,790)
Loss and total comprehensive income attributable to owners of the Company	(34,567)	(38,143)
Loss and total comprehensive income attributable to the non-controlling interests	(33,213)	(36,647)
Loss and total comprehensive income for the year	(67,780)	(74,790)
Net cash inflow from operating activities	28,859	40,379
Net cash used in financing activities	(29,479)	(28,959)
Net cash inflow	(620)	11,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Promissory note <i>HK\$'000</i>	Bank borrowing <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Amount due to non- controlling interest <i>HK\$'000</i>
At 1 January 2019 as originally presented	–	–	–	–
Initial application of HKFRS 16 (note 2(a)(i))	–	–	573	–
Restated balance as at 1 January 2019	–	–	573	–
— Financial liabilities arising from the acquisition of a subsidiary	361,000	508,058	–	–
— Repayment of bank borrowing	–	(15,396)	–	–
— Repayment of promissory note	(147,800)	–	–	–
— Capital elements of lease rental paid	–	–	(426)	–
Non-cash items:				
— Accrued interest	8,316	13,563	18	–
— Interest paid	(8,316)	(13,563)	(18)	–
At 31 December 2019	213,200	492,662	147	–
— Repayment of bank borrowing	–	(20,527)	–	–
— Repayment of promissory note	(26,000)	–	–	–
— Capital elements of lease rental paid	–	–	(147)	–
— Advance from non-controlling interest	–	–	–	2,868
Non-cash items:				
— Accrued interest	9,878	11,820	1	–
— Interest paid	(9,878)	(11,820)	(1)	–
At 31 December 2020	187,200	472,135	–	2,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investments in subsidiaries		42,631	42,631
Amounts due from subsidiaries		902,858	931,819
		945,489	974,450
Current assets			
Other receivables		81	83
Bank balances and cash		3,050	213
		3,131	296
Current liability			
Other payables and accruals		3,079	3,446
Amount due to a subsidiary		2,851	2,388
		5,930	5,834
Net current liabilities		(2,799)	(5,538)
Non-current liability			
Promissory note	29	187,200	213,200
Net assets		755,490	755,712
Capital and reserves			
Share capital	30	632,610	632,610
Reserves	32	122,880	123,102
Total equity		755,490	755,712

The Company's statement of financial position was approved and authorised for issue by the Board on 26 March 2021 and are signed on its behalf by:

Eric Todd
Director

Sheung Kwong Cho
Director

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2020

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
RESULTS					
Revenue					
— Continuing operations	37,253	39,733	3,246	2,526	1,863
— Discontinued operation	–	3,555	5,301	6,613	9,820
	37,253	43,288	8,547	9,139	11,683
Profit/(loss) before tax					
— Continuing operations	59,484	(183,703)	(119,348)	87,161	(65,014)
— Discontinued operation	5,045	37,473	(3,441)	(5,392)	(1,280)
Income tax credit/(expense)	64,529 (1,287)	(146,230) (6,689)	(122,789) 15,107	81,769 (14,963)	(66,294) 11,780
(Loss)/profit for the year	63,242	(152,919)	(107,682)	66,806	(54,514)
Profit/(loss) for the year attributable to:					
Owners of the Company	93,439	(132,314)	(105,995)	69,450	(53,887)
Non-controlling interests	(30,197)	(20,605)	(1,687)	(2,644)	(627)
	63,242	(152,919)	(107,682)	66,806	(54,514)

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES					
Total assets	1,874,076	1,891,034	783,398	904,099	821,680
Total liabilities	(681,729)	(733,924)	(3,576)	(19,413)	(4,655)
Net assets	1,192,347	1,157,110	779,822	884,686	817,025
Non-controlling interests	460,894	512,931	(3,050)	(4,962)	(7,184)
Equity attributable to owners of the Company	731,453	644,179	776,772	879,724	809,841

PARTICULARS OF PROPERTIES HELD BY THE GROUP

For the year ended 31 December 2020

Location	Group's interests	Approximate site area (sq.ft.)	Existing use
Unit 901, 903, 905, 906 9/F Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	100%	2,501	Rental
Unit 902 and 904, 9/F Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	100%	892	Office
10/F, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong	100%	3,393	Rental
Workshop No. 5 on 4/F, Fullagar Industrial Building, 234 Aberdeen Main Road, Hong Kong	100%	1,402	Rental
Commercial Podium (Shop) On Lower Ground Floor, Upper Ground Floor, First Floor, Second Floor, Third Floor and Offices and Flat Roof on Forth Floor, and the 3 External Signage Spaces — The Remaining Portions of The External Walls of Silver Fortune Plaza, No.1 Wellington Street, Hong Kong	51%	28,923	Rental