



天禧海嘉控股集團有限公司

SKY CHINAFORTUNE HOLDINGS GROUP LIMITED

LISTED ON THE STOCK EXCHANGE OF HONG KONG (STOCK CODE: 141)

(Incorporated in Hong Kong with limited liability)

2020

ANNUAL
REPORT



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Corporate Information

Board of Directors

Executive Directors

Mr. JIANG Tian (*Chairman*)
Ms. HOU Yingxuan (*Chief Executive*)
Mr. GONG Biao (*Vice-President*)
Ms. JIANG Jiabao

Non-executive Director

Mr. CHAI Yuet

Independent Non-executive Directors

Mr. HU Jianxing
Mr. TSEUNG Yuk Hei Kenneth
Mr. JI Qing

Company Secretary

Ms. HO Wing Yan (*ACG, ACS(PE)*)

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the
Financial Reporting Council Ordinance

Legal Adviser

CFN Lawyers

Share Registrar

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

Registered Office

Room 1512, 15/F.
New World Tower 1
16-18 Queen's Road Central
Hong Kong

Audit Committee

Mr. TSEUNG Yuk Hei Kenneth (*Chairman*)
Mr. HU Jianxing
Mr. JI Qing

Remuneration Committee

Mr. HU Jianxing (*Chairman*)
Mr. GONG Biao
Mr. JI Qing

Nomination Committee

Mr. JIANG Tian (*Chairman*)
Mr. HU Jianxing
Mr. JI Qing

Stock Code

141 (Main Board of The Stock Exchange of Hong Kong Limited)

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I present, on behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Sky Chinafortune Holdings Group Limited (the “**Company**”), the annual report of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Year**”).

Group Review

During the Year, rental income generated from properties in the People's Republic of China (the “**PRC**”) continued to be one of the major sources of the Group's total revenue. The Group has recognised revenue of approximately HK\$18.30 million from its retail business for the Year. Revenue of the Group attributable to the continuing operations increased by approximately HK\$20.82 million to approximately HK\$44.86 million due to the active expansion of the Group's business, in particular, the retail business segment.

For the Year, basic and diluted loss per share of the Company (the “**Share**”) from continuing operations was HK1.02 cents (2019: basic and diluted earnings per Share from continuing operations was HK1.31 cents).

Business Review

Continuing Operations

Property Investment

After the outbreak of the coronavirus disease 2019 (COVID-19) (the “**Coronavirus Outbreak**”) in the PRC since December 2019, as a result of the reduced level of economic activities and temporary loss of consumer spending, the Group entered into supplemental agreements with certain tenants to temporarily reduce/waive the rental payments for periods ranging from one to two months during the Year. As a result, approximately HK\$2.51 million of the total rental income from the Group's properties business during the Year had been waived. The Group was successful in retaining its tenants and none of the tenants had terminated any rental agreement with the Group during the Year.

Despite the Coronavirus Outbreak, the Group managed to achieve a higher overall average occupancy rate per unit for both of its residential premises and, shop lots and car parking spaces when compared to the prior year as further detailed below:

Residential premises

For the Year, the Group generated revenue of approximately HK\$2.32 million (2019: approximately HK\$2.06 million) from the leasing of residential premises. The average occupancy rate per unit was approximately 91.11% for the Year (2019: approximately 86.67%). The occupancy rate per unit as at 31 December 2020 was approximately 93.33% (as at 31 December 2019: approximately 93.33%). As at 31 December 2020, 15 residential premises (as at 31 December 2019: 15 residential premises) were classified as investment properties, which were valued by an independent professional valuer. The fair value gain on investment properties was approximately HK\$13.04 million for the Year (2019: fair value gain on investment properties of approximately HK\$11.80 million).

Shops and car parks

For the Year, the Group generated revenue of approximately HK\$22.14 million (2019: approximately HK\$21.69 million) from leasing of shop lots and car parking spaces. The average occupancy rate per unit was approximately 69.12% for the Year (2019: approximately 51.47%). As at 31 December 2020, all shop lots and car parking spaces were classified as investment properties, which were valued by an independent professional valuer. The fair value loss on investment properties was recorded at approximately HK\$12.09 million for the Year (2019: fair value loss on investment properties at approximately HK\$1.18 million).

Trading of Properties and Property Related Services

During the Year, the Group generated revenue of approximately HK\$2.10 million (2019: approximately HK\$0.29 million) and recorded a profit after tax of approximately HK\$0.29 million (2019: approximately HK\$0.24 million) for this segment. The moderate profit after tax was mainly attributable to the staff costs incurred for the provision of property related services.

Trading of properties

For the Year, the Group generated revenue of approximately HK\$0.10 million (2019: approximately HK\$0.29 million) from leasing the short-term held for sale residential property, which was located in Shanghai, the PRC. The average occupancy rate per unit was approximately 83.33% for the Year (2019: approximately 91.67%). As at 31 December 2020, 1 residential premise located in Shanghai, the PRC (as at 31 December 2019: 1 residential premise) was classified as a property held for sale, which was measured at the lower of cost and net realisable value.

Property related services

The Group had commenced its property related services business in June 2020, having entered into three property management agreements with Anshan Xinhaijia Property Management Co., Ltd.* (鞍山新海嘉電梯有限公司) on 29 April 2020, through its wholly-owned subsidiary, Anshan Tian Xi Hai Jia Sales Company Limited* (鞍山天禧海嘉商業銷售有限公司), to provide property related services for various residential properties, shop lots and auxiliary facilities in Anshan, the PRC. In this connection, the Group recorded management fees of approximately HK\$2.00 million for the Year.

Retail Business

The Group commenced preparation works for this new business segment in late 2019, such as (a) identifying suitable locations in Shanghai, the PRC, for (i) retail sales of a variety of Chinese liquor and wine, and (ii) preparing for the opening of its first convenience store; and (b) recruiting staff for the above new businesses.

* For identification purpose only.

However, in light of the Coronavirus Outbreak, overall business activities in the PRC, including retail business activities, have been materially and adversely affected. Such unexpected development had directly affected the timing of the execution of the Group's business plan, in particular, the opening of the convenience stores, as the Board decided to act prudently for the interests of the shareholders of the Company (the "**Shareholders**"). As at 31 December 2020, the Group was operating one Chinese liquor and wine store and three convenience stores. Given the retail business was in its infancy stage, the retail business recorded revenue and loss after tax of approximately HK\$18.30 million and HK\$6.17 million for the Year, respectively. Such loss after tax was mainly attributable to the staff costs and the depreciation charge of right-of-use assets incurred for the retail business stores and the preparation costs for the convenience stores.

Discontinued Operation

Automobile Business

The Group had ceased this business segment and the underlying operations during the second half of 2019. The deregistration of entities within this business segment had been completed during the Year. For the Year, no revenue was generated from this business segment (2019: Nil).

Regional Information

As the Group did not have material operations outside the PRC during the Year, no geographic segment information is presented.

Prospects

Since 2019, the Group has been seeking possible diversification opportunities to reduce business risks and enhance its income base, and will continue to closely monitor and review the strategies for its different business segments from time to time.

Looking forward, for its properties and property related services businesses, the Group intends to (i) enlarge its investment portfolio and diversify its risk by holding a mixed portfolio of investment properties through seeking suitable opportunities to acquire quality investment properties over time; and (ii) gradually establish a track record and market reputation as a reliable quality property management services provider. As for the retail business, the Group intends to focus on the (i) Chinese liquor and wine retail business, which has been operating under the brand name of "大橘珍品", with a primary focus on the sales of "Moutai", a well-known Chinese liquor brand with a long history and often referred to as the national liquor of the PRC; and (ii) convenience store retail business, which has been operating under the name of "大橘便利", with a primary focus on the sales of a mixture of selective quality fast-moving consumer goods and good quality casual convenient food, targeting the increasingly affluent middle-class consumers in the PRC.

Further, the Group has commenced the preparation works for a food-related business in the PRC since December 2020. The food-related business will initially focus on Chinese braised food, and is intended to provide various table food for different local cuisines in the future.

The Coronavirus Outbreak has materially and adversely impacted the PRC domestic market during the Year. The various containment measures adopted by the PRC Government from time to time resulted in significant reduction in foot traffic in shopping malls and street-level shops, and caused certain retail shops to close temporarily and/or shorten its operating hours. As such, the retail sector, including convenience stores, has been one of the more adversely affected sectors as a result of the Coronavirus Outbreak.

Despite gradual improvements in the economy in the second half of the Year, these adverse impacts have and will continue to affect the markets in which the Group operates. With the Shareholders' interests in mind, the Board has and shall continue to act prudently and cautiously by re-adjusting the Group's strategy over time to manage the situations arising from the Coronavirus Outbreak, including the delay in the opening of the Group's convenience stores in the PRC, and has entered into rental reduction arrangements with its key tenants in order to maintain a good relationship with these key tenants and secure continued and stabilised income for the Group.

Looking into 2021, the Board will continue to commit to good corporate governance practices which promotes the long-term interest of stakeholders, strengthens the Board and management accountability and help to build up public trust. In addition, we also honour our corporate social responsibilities by addressing the needs of our staff and contributing to the community. As you shall note from the details in the "Environmental, Social and Governance Report", both the management and employees had enjoyed the charitable and other community contributing events during the Year very much.

Lastly, in view of the Group's operating results, the Board did not recommend the payment of a final dividend in respect of the Year.

Despite this, the Company will strive to further enhance the Company's performance and optimise the return for the Shareholders.

Appreciation

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business associates for their trust and support.

JIANG Tian

Chairman of the Board

Hong Kong, 26 March 2021

Management Discussion and Analysis

The global economy remained complicated and fast-changing amid sluggish economic growth in the Year. Towards the end of the Year, the property markets in the PRC gradually returned to a stable level. The Group made adjustments to the business strategies to secure stable revenue sources and maintain sustainable development of its businesses in the long term.

Review and Prospects

The details of Group review, business review and prospects are set out in the Chairman's Statement.

Financial Review

Continuing Operations

Revenue of the Group for the Year increased significantly by approximately HK\$20.82 million to approximately HK\$44.86 million (2019: approximately HK\$24.04 million) which was mainly due to the new source of revenue of approximately HK\$18.30 million generated from the new retail business commenced in 2020.

Our gross profit was approximately HK\$24.97 million (2019: approximately HK\$21.87 million) for the Year, while gross profit margin was approximately 55.66% (2019: approximately 90.96%). The gross profit margin had decreased as compared with the year ended 31 December 2019 due to the commencement of the new retail business, in which the gross profit margin of this business segment was relatively low.

Other net income was approximately HK\$1.62 million for the Year (2019: approximately HK\$1.64 million). Such decrease was mainly due to the net effect of the drop in interest income generated and the subsidies received from the Government of the HKSAR in response to the Coronavirus Outbreak.

Selling and distribution expenses mainly comprised of salaries and benefits of the operation staff, depreciation of property, plant and equipment and depreciation charge of right-of-use assets for the retail business, which amounted to approximately HK\$2.93 million as the retail business commenced in 2020.

Administrative expenses mainly comprised of salaries and benefits including Directors' emoluments, depreciation of property, plant and equipment, depreciation charge of right-of-use assets, legal and professional expenses and other office expenses. Administrative expenses for the Year and the year ended 31 December 2019 were approximately HK\$23.89 million and HK\$24.12 million, respectively, representing a decrease of approximately HK\$0.23 million from last year. Such decrease was mainly due to the cost control on corporate expenses.

Loss for the Year attributable to owners of the Company from continuing operations amounted to approximately HK\$3.53 million (2019: profit of approximately HK\$4.54 million). The drop in financial results from continuing operations was mainly due to the decrease in the fair value gain of investment property of approximately HK\$9.67 million, and the selling and distribution expenses of approximately HK\$2.93 million incurred for the new retail business.

Discontinued Operation

As the retail market for automobiles in the PRC had been severely affected by the impact of the reduction in government subsidies for new energy vehicles and the trade conflict between the PRC and the U.S., the Group ceased the operations of its automobile business segment in 2019. The deregistration of entities within this segment had been completed during the Year and the results of the automobile business segment for the Year was classified as a discontinued operation accordingly. For the year ended 31 December 2019, a loss after tax of approximately HK\$9.71 million was recognised, which was mainly attributable to the impairment loss of approximately HK\$7.98 million recognised on property, plant and equipment and other receivables. Recoverable amount was estimated to be nil, based on value-in-use calculation and that the property, plant and equipment and other receivables of the automobile business segment had been fully impaired.

Liquidity and Financial Resources

As at 31 December 2020, the Group's current ratio was approximately 3.57 (2019: approximately 4.21), calculated on the basis of current assets of approximately HK\$108.11 million (2019: approximately HK\$111.04 million) over current liabilities of approximately HK\$30.24 million (2019: approximately HK\$26.35 million).

As at 31 December 2020, total short-term bank deposit, bank balances and cash on hand, which were mainly denominated in Hong Kong dollars and Renminbi, were approximately HK\$98.03 million (2019: approximately HK\$103.01 million).

Gearing Ratio

As at 31 December 2020, the Group's gearing ratio was nil (2019: Nil), due to no bank borrowings of the Group (2019: Nil) and the total assets of the Group was approximately HK\$764.71 million (2019: approximately HK\$699.44 million).

Capital Commitment

As at 31 December 2020, the Group had capital commitments of approximately HK\$1.68 million for the retail business (2019: approximately HK\$0.11 million for the retail business).

Charges on Assets

As at 31 December 2020, the Group did not have any charge on its assets (2019: Nil).

Future Plans for Material Investments or Capital Assets

The Group is actively exploring suitable business opportunities in the PRC domestic market. The Group has been operating one Chinese liquor and wine store and three convenience stores since the beginning of 2020, and has commenced the preparation works for a food-related business with an initial focus on braised food since December 2020. The Group believes that, by commencing its property related services business and expanding into the retail industry, the Group can take advantage of its industry knowledge of the property market in the PRC and the increasing domestic demand in the retail industry (despite the temporary effects of the Coronavirus Outbreak), respectively, and will provide a prime opportunity for the Group to diversify its revenue stream and strive for a better return to the Shareholders in the long term, which is expected to benefit the Company and the Shareholders as a whole.

Save as disclosed above, the Directors currently do not have any future plans for material investments or capital assets. The Directors will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's interests.

Key Risks and Uncertainties

The Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Foreign Exchange Risk

During the Year, most of the Group's business transactions were conducted in Hong Kong dollars and Renminbi. Review of the Group's exposure to foreign exchange risks is conducted periodically. The Group expected that the exposure to exchange rate fluctuation was not significant and therefore did not engage in any hedging activity during the Year.

Liquidity Risk

Liquidity risk is a potential risk that the Group will not be able to meet its obligations when they fall due as a result of its inability to obtain adequate funding or liquidate assets. In managing liquidity risks, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibilities for managing operational risks rest at early departmental level. The Group's management team will identify and assess key operational exposures regularly so that appropriate responses can be taken.

Impact of Government Policies and Regulations

The business operation of the Group is also subject to government policies, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with adequate skills, experience and competence which meet the business objectives. The Group provides attractive remuneration package to suitable candidates and personnel.

Third-Party Risk

The Group may rely on third-party service providers and suppliers in certain parts of its business to improve performance and efficiency of the Group and ensure the quality of the Group's products. While gaining the benefits from external service providers and suppliers, the management team realises that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputable third-party service providers and closely monitors their performance.

Business Risk

Performance of the Group's core business will be affected by various factors, including but not limited to the economic conditions, the domestic consumption and the property market performances in regions where the investments are located, which would not be mitigated even with careful and prudent investment strategy and strict control procedures.

Significant Investments

During the Year, the Group did not have any significant investments (2019: Nil).

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

Compliance with Laws and Regulations

During the Year, insofar as the Board was aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that had a significant impact on the business and operations of the Group.

Relationships with Stakeholders

The Company recognises that employees are its valuable assets. Thus, the Group recognises the accomplishment of its employees by providing comprehensive benefit packages, career development opportunities and internal training appropriate to individual needs. The Group regularly reviews the remuneration packages of employees and makes necessary adjustments to conform to the market level.

The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. During the Year, there was no material or significant dispute between the Group and its business partners or bank enterprises.

Employee and Remuneration Policies

As at 31 December 2020, the Group employed 110 employees (2019: 31) with staff costs excluding the non-executive Director and independent non-executive Directors for the Year amounted to approximately HK\$13.76 million (2019: approximately HK\$12.72 million). Remuneration policies are reviewed annually by the management of the Company. Remuneration packages are structured to take into account comparable levels in market and the prevailing business scale of the Group. The Company had adopted a share option scheme (the “**Scheme**”) before for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme was adopted and approved by the Shareholders on 14 May 2010 and expired on 13 May 2020. No share options had been granted under the Scheme during the life of the Scheme. Details of the Scheme are set out in the section headed “Equity-linked Agreement” under the “Directors’ Report” of this report.

Contingent Liability

The Group had no material contingent liability as at 31 December 2020 (2019: Nil).

Environmental Policies

The Group recognises its responsibility to protect the environment in its business operations. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies.

Treasury Policies

The Group adopts a treasury policy that aims to better control its treasury operations and lower its borrowing cost. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board also considers various funding sources depending on the Group’s needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group’s financial obligations. The time deposits of the Group at various licensed banks have been and will continue to be conducted in accordance with the Group’s treasury policy. The Board reviews and evaluates the Group’s treasury policy from time to time to ensure its adequacy and effectiveness.

Biographical Details of Directors

Mr. JIANG Tian, aged 50, has been an executive Director since June 2017. He is also the chairman of the Board (the “**Chairman**”), the chairman of the nomination committee of the Company (the “**Nomination Committee**”) and the controlling shareholder of the Company. Mr. JIANG was the chief executive of the Company (the “**Chief Executive**”) from 31 August 2018 to 6 January 2020. Mr. JIANG has extensive experience in real estate investment and hotel management in the PRC. Mr. JIANG is a shareholder of Shanghai Chongsheng Investment Management Co., Ltd. (上海翀盛投資管理有限公司 (“**Shanghai Chongsheng**”)) (a holding company of Hopevision Group Ltd., a controlling shareholder of the Company (the “**Controlling Shareholder**”)). Mr. JIANG is also a consultant of the Company’s subsidiary, Poppins Properties (Shanghai) Co., Ltd.* (博平置業(上海)有限公司) (“**Poppins Properties**”). Mr. JIANG was appointed as the legal representative and became a shareholder of Shanghai Sky Fortune Hotel Management Co., Ltd.* (上海天禧嘉福酒店管理有限公司) on 1 January 2020. Mr. JIANG was also appointed as a director of Hong Kong Hopevision International Limited (“**HK Hopevision**”) and the Controlling Shareholder, respectively, on 28 April 2020. Mr. JIANG is the father of Ms. JIANG Jiabao (an executive Director).

Mr. JIANG was a director of Xinjiang Hejin Holding Co. Ltd. (whose shares are listed on the Shenzhen Stock Exchange, Stock Code: 000633, formerly known as Shenyang Hejin Holding Investment Co. Ltd.) (“**Xinjiang Hejin**”) from December 2008 to June 2009.

Ms. HOU Yingxuan, aged 35, has been an executive Director since February 2017. She was also the vice-president of the Group from February 2017 to 5 January 2020 and has been promoted as the Chief Executive since 6 January 2020. Ms. HOU graduated from Lancaster University in the United Kingdom with a bachelor’s degree (Hons) in Finance in 2009. Ms. HOU worked for CCB International Capital Limited (a wholly-owned subsidiary of China Construction Bank Corporation) from November 2009 to December 2016. Ms. HOU has rich experience in corporate finance and specialises in the origination of buy-side and sell-side projects for Hong Kong initial public offerings and offshore business corporate finance activities. Ms. HOU is currently a director of certain subsidiaries of the Company, details of which are set out in the section headed “Directors of Subsidiaries” under the “Directors’ Report” of this report.

Mr. GONG Biao, aged 50, has been an executive Director since June 2016. He is also the vice-president of the Company and a member of the remuneration committee of the Company (the “**Remuneration Committee**”). Mr. GONG graduated from Shanghai Polytechnic University (上海第二工業大學) with a major in Mechanical Engineering and Design. Mr. GONG is currently a shareholder and a supervisor of Shanghai Chongsheng, and was a director of HK Hopevision and the Controlling Shareholder, respectively, from 28 August 2017 to 28 April 2020. Mr. GONG is also a director of Capital Head Investment Limited and Concord Trinity Development Limited, respectively, both subsidiaries of the Company. Mr. GONG was the chairman and legal representative of Poppins Properties from 17 November 2016 to 13 January 2020, and the chairman and legal representative of Shanghai Chengzhi Automobile Sales Co., Ltd.* (上海誠致汽車銷售有限公司, which had been deregistered on 3 June 2020) (“**Shanghai Chengzhi**”) from 12 June 2018 to 3 June 2020. Mr. GONG was a vice general manager of Xinjiang Hejin from January 2009 to June 2009.

Ms. JIANG Jiabao, aged 24, has been an executive Director since 6 January 2020. Ms. JIANG graduated from the Raffles College of Design and Commerce with a bachelor's degree in design in 2015. Ms. JIANG also graduated with a pastry diploma (Diplôme de Pâtisserie) at Le Cordon Bleu Tokyo in 2016. Ms. JIANG had been an assistant to the general manager responsible for investment and property management and market information consulting in Shanghai Chongsheng from 2017 to 2019. She is currently a director and assistant general manager of Sky Chinafortune (Shanghai) Business Management Co. Ltd.* (天禧海嘉(上海)商務管理有限公司) and a director of Poppins Properties. Ms. JIANG had been an assistant general manager of Ju Mian (Shanghai) Catering Co., Ltd.* (橘面(上海)餐飲有限公司) from 9 October 2019 to 7 January 2020 and ceased to be the representative of the liquidation committee of Shanghai Chengzhi upon the completion of its deregistration on 3 June 2020. All of the above companies are wholly-owned subsidiaries of the Company. Ms. JIANG is the daughter of Mr. JIANG Tian (the Chairman, the controlling shareholder of the Company and an executive Director).

Mr. CHAI Yuet, aged 47, has been a non-executive Director since June 2016. Mr. CHAI is currently the chairman of the board of China Horae Capital Management (Group) Co., Limited.

Mr. HU Jianxing, aged 44, has been an independent non-executive Director since June 2016. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the audit committee of the Company (the "Audit Committee"). Mr. HU obtained a bachelor's degree in International Economics Law from East China University of Political Science and Law (華東政法大學, formerly known as East China College of Political Science and Law (華東政法學院)) (Shanghai, the PRC) in July 1999. Mr. HU is responsible for giving independent judgement on the Group's strategic plan, performance, resources and standard of integrity.

Mr. HU is currently a lawyer of DeHeng Shanghai Law Office (德恒上海律師事務所) and he has been a qualified PRC lawyer for over 15 years.

Mr. TSEUNG Yuk Hei Kenneth, aged 55, has been an independent non-executive Director since November 2017. He is also the chairman of the Audit Committee. Mr. TSEUNG graduated from Macquarie University in Australia in 1989 with a bachelor's degree in Economics and he is a chartered accountant in Australia. Mr. TSEUNG has over 25 years of extensive experience in auditing and investment banking business. Prior to joining the investment banking industry in 1994, Mr. TSEUNG was an auditor in Hong Kong and Australia. Mr. TSEUNG has held senior positions in the investment banking division of various financial institutions including Standard Chartered Bank (Hong Kong) Ltd., ABN AMRO Bank N. V., Hong Kong branch and BNP Paribas Peregrine Capital Limited. After that, Mr. TSEUNG was a managing director, Head of Investment Banking, China of CIMB Securities Limited from August 2012 to February 2017, and the senior managing director, Head of Investment Banking of Mason Global Capital Limited (a wholly-owned subsidiary of Mason Group Holdings Limited (Stock Code: 273)) from February 2017 to April 2020. Mr. TSEUNG had been an independent non-executive director of Chinese Energy Holdings Limited (Stock Code: 8009) (formerly known as iMerchants Limited) between September 2004 and September 2007 and Great Wall Motor Company Limited (Stock Code: 2333) between June 2009 and May 2010. Mr. TSEUNG has been the managing director of HeungKong Financial Group Limited since September 2020.

Biographical Details of Directors

Mr. Ji Qing, aged 46, has been an independent non-executive Director since May 2018. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ji has obtained a master degree in business administration from the University of Management and Technology and completed an undergraduate finance program from The Open University of China (國家開放大學) (formerly known as China Central Radio and Television University (中央廣播電視大學)). Mr. Ji has over 20 years of working experience in accounting, internal audit and risk management.

Mr. Ji has been a partner of Shanghai Shenbei Certified Public Accountants Co. Ltd.* (上海申北會計師事務所有限公司), mainly in charge of business matters and market development since May 2013. Prior to joining Shanghai Shenbei Certified Public Accountants Co. Ltd., Mr. Ji worked at Soochow Life Insurance Co., Ltd. (東吳人壽保險股份有限公司) and he was responsible for internal audit matters. Mr. Ji has also worked at Tian An Insurance Co., Ltd.* (天安保險股份有限公司) and he was responsible for internal risk control and risk management matters.

* For identification purpose only

The Board and the management of the Company are committed to upholding a high standard of corporate governance with an aim to safeguard the interest of the Shareholders and the Company as a whole.

The Company has applied the principles and complied with all applicable code provisions and, where applicable, the recommended best practices of the Corporate Governance Code as set out in Appendix 14 (the “**CG Code**”) to The Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), except for the deviations as set out in this report.

Key corporate governance principles and practices of the Company are summarised below.

Directors’ and Employees’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Confirmation has been sought from all Directors that they had complied with required standards set out in the Model Code throughout the Year. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company. No incidents of non-compliance of such guidelines by relevant employees was noted by the Company during the Year.

On 25 January 2021, Ms. JIANG Jiabao, an executive Director, acquired 1,248,000 shares of the Company, during the blackout period under rule A3(a)(i) of the Model Code, without notification to the chairman of the Company (the “**Incident**”). To the best knowledge of the Board after reasonable enquiries, the non-compliance was not deliberate and completely unintentional and was merely due to Ms. JIANG Jiabao’s inadvertent oversight and unfamiliarity with the requirements under the Model Code. The Incident was immediately identified by the Company and such transaction was subsequently disclosed on 25 January 2021.

Further, the Company has taken the following remedial steps to avoid the occurrence of a similar incident in the future:

- (i) upon notification of the Incident, the Company has reminded all Directors again of the dealing restriction and the dealing notification procedures required under the Model Code to ensure strict compliance with rules A.3 and B.8 of the Model Code;
- (ii) the Company has provided additional reminders to the Directors on the date of commencement of the relevant blackout period, and will provide further periodic training and development materials to the Directors, including but not limited to (a) the relevant Listing Rule requirements; (b) enforcement case studies; and (c) the applicable topics in relation to the obligation and duties of the Directors; and
- (iii) the Company has reviewed its relevant internal control procedures in further details and make improvements, where necessary, with a view to reduce the risks of future non-compliance incidents of a similar nature.

Directors

The Board

The Board is accountable to the Shareholders for leading the Group in a responsible and effective manner. Every Director is charged with the duties of acting in the best interest of the Group and the duties of contributing to the Group with their expertise and knowledge. The Board decides on the overall strategies and monitors the Group's performance on behalf of the Shareholders. During the Year, the Board held four meetings. In addition, the Company held one Shareholders' meeting in 2020 (i.e. the annual general meeting held on 5 June 2020). The attendance records of each Director at the aforesaid Board meetings and Shareholders' meeting are set out as follows:

Name of Directors	Attendance/Number of meetings	
	Board meeting	Shareholders' meeting
Mr. JIANG Tian	4/4	1/1
Ms. HOU Yingxuan	4/4	1/1
Mr. GONG Biao	4/4	1/1
Ms. JIANG Jiabao*	4/4	1/1
Mr. CHAI Yuet	4/4	1/1
Mr. HU Jianxing	4/4	1/1
Mr. TSEUNG Yuk Hei Kenneth	4/4	1/1
Mr. JI Qing	4/4	1/1

* Ms. JIANG Jiabao was appointed as an executive Director on 6 January 2020.

To provide an opportunity to Directors to include matters for discussion in the agenda, at least 14 days' notice of a regular Board meeting is given to all Directors. Every Director is entitled to have access to the advice and services of the company secretary of the Company (the "Company Secretary") with a view of ensuring that the Board procedures and all applicable rules and regulations are followed. All minutes are kept by the Company Secretary and are open for inspection by the Directors. Minutes of Board meetings and meetings of Board committees are recorded with sufficient details on the matters considered by the Board/Board committees and the decisions reached. Draft and final versions of those minutes are sent to Directors/Board committee members for their comment and record within a reasonable time after the meetings are held.

Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent. The independent non-executive Directors are explicitly identified in all corporate communications of the Company.

According to the current Board practice, if a substantial Shareholder or a Director has any conflict of interest in any matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company (the “**Articles of Association**”) also stipulates that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her close associates have a material interest.

The senior management of the Company are the Directors. Details of their remuneration for the Year are set out in note 9(a) in the financial statements.

Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and received adequate and reliable information on a timely basis.

Mr. JIANG Tian served as both the Chairman and the Chief Executive until 6 January 2020, and such practice deviated from code provision A.2.1 of the CG Code. The Board believed that vesting the roles of both the Chairman and the Chief Executive in the same person could facilitate the effective execution of the Group’s business strategies and operation.

The Company has been in compliance with code provision A.2.1 of the CG Code when Mr. JIANG Tian ceased to act as the Chief Executive and Ms. HOU Yingxuan was appointed as the Chief Executive since 6 January 2020.

Board Composition

During the Year and up to the date of this report, the Board consists of the following Directors:

Executive Directors:

Mr. JIANG Tian (*Chairman*)

Ms. HOU Yingxuan (*Chief Executive*)

Mr. GONG Biao (*Vice-President*)

Ms. JIANG Jiabao*

Non-executive Director:

Mr. CHAI Yuet

Independent non-executive Directors:

Mr. HU Jianxing

Mr. TSEUNG Yuk Hei Kenneth

Mr. JI Qing

* Ms. JIANG Jiabao was appointed as an executive Director on 6 January 2020.

The Board has met the requirements of the Rules 3.10 and 3.10A of the Listing Rules of having three independent non-executive Directors (representing at least one-third of the Board) with at least one of them possessing appropriate accounting or related financial management expertise. The relationship among members of the Board, if any, is disclosed in “Biographical Details of Directors” of this report.

Appointment and Re-election

Each non-executive Director, whether independent or not, is appointed for a specific term of three years and is subject to retirement by rotation at least once every three years. Further, in accordance with Article 104(A) of the Articles of Association, at each annual general meeting of the Company (the “AGM”), 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 but not less than one-third) shall retire from office. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Accordingly, each of Mr. JIANG Tian, Mr. GONG Biao and Mr. CHAI Yuet shall be eligible for re-election by the Shareholders in the forthcoming AGM.

The composition and diversity of the Board is reviewed regularly to ensure that it covers a balance of expertise, skills and experience for the business of the Company. The Directors’ profiles are set out in the “Biographical Details of Directors” of this report.

Responsibilities of Directors

The Directors are continually embraced with the most up-to-date regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities through regular Board meetings. During the Year, each independent non-executive Director attended all regularly scheduled meetings of the Board and committees, where such independent non-executive Director sat in and reviewed the meeting materials distributed in advance. The Directors, also, attended the AGM and answered questions raised by the Shareholders.

Supply of and Access to Information

In respect of regular Board meetings, an agenda and accompanying Board papers of the meeting are sent in full to all Directors at least 3 days before the intended date of the meeting. The management has the obligation to supply the Board and the various committees with adequate information in a timely manner to enable the members to make informed decisions. Each Director has separate and independent access to the Company’s management to acquire more information than is volunteered by the management and to make further enquiries if necessary.

Directors’ Induction and Continuous Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policies and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in professional development courses and seminars relating to the Listing Rules, Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”) and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

In compliance with code provision A.6.5 of the CG Code, during the Year, the Company has provided each of the Directors with training, briefings and updates on the latest development of the Listing Rules in connection with the environmental, social and governance reporting, risk management and internal control and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

The table below summarises the participation of the Directors in training during the Year and up to the date of this report:

Name of directors	Attending training organised by professional organisations and/or reading materials updating on new rules and regulations
<i>Executive Directors:</i>	
Mr. JIANG Tian (<i>Chairman</i>)	✓
Ms. HOU Yingxuan (<i>Chief Executive</i>)	✓
Mr. GONG Biao (<i>Vice-President</i>)	✓
Ms. JIANG Jiabao*	✓
<i>Non-executive Director:</i>	
Mr. CHAI Yuet	✓
<i>Independent Non-executive Directors:</i>	
Mr. HU Jianxing	✓
Mr. TSEUNG Yuk Hei Kenneth	✓
Mr. JI Qing	✓

* Ms. JIANG Jiabao was appointed as an executive Director on 6 January 2020.

Corporate Governance Functions

During the Year, the Board as a whole has performed the following corporate governance duties:

- (a) developed and reviewed the Company's policies and practices on corporate governance;
- (b) reviewed and monitored the training and continuous professional development of the Directors and senior executives;
- (c) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) developed, reviewed and monitored the code of conduct and compliance manual (if any) applicable to employees and the Directors;
- (e) reviewed the Company's compliance according to the CG Code and disclosure in the Corporate Governance Report; and
- (f) performed such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

Audit Committee

The Audit Committee comprises three independent non-executive Directors. The Audit Committee is chaired by Mr. TSEUNG Yuk Hei Kenneth who possesses recognised professional qualifications in accounting and extensive experience in audit and accounting. The Audit Committee is to oversee the Group's financial reporting system, risk management and internal control systems, to review and monitor the external auditor's independence and objectivity, to review the adequacy of resources, qualification and experience of staff of the accounting, internal audit and financial reporting functions and their training programmes, and the effectiveness of the audit process in accordance with applicable standards. During the Year, the Audit Committee held three meetings with attendance records as follows:

Name of members	Number of attendance
Mr. TSEUNG Yuk Hei Kenneth (<i>Chairman</i>)	3/3
Mr. HU Jianxing	3/3
Mr. JI Qing	3/3

The Audit Committee has reviewed the interim accounts for the six months ended 30 June 2020 and the audited consolidated financial statements for the Year, respectively, with the Company's external auditor. The Audit Committee has also reviewed the Group's accounting principles and practices, Listing Rules and statutory compliance, the risk management and internal control review report and financial reporting matters including the adequacy of resources, staff qualifications and experience, training programme and budget of the Company's accounting and financial reporting function. During the Year, the Board had no disagreement with the Audit Committee's view on the re-appointment of the Company's external auditor.

Remuneration to the External Auditor of the Company

An analysis of the remuneration of the Company's auditor, KPMG, for the Year is set out as follows:

Services rendered	Fee paid/payable
	HK\$'000
Audit services	1,450
Non-audit services (<i>Note</i>)	90
	1,540

Note: Non-audit services include advisory services regarding the environmental, social and governance report of the Group for the Year.

Remuneration Committee

The Remuneration Committee was established by the Company in 2005. The Remuneration Committee is chaired by Mr. HU Jianxing, and Mr. JI Qing and Mr. GONG Biao are the other members of the committee. The majority members of the Remuneration Committee are independent non-executive Directors. The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior executives (i.e. the model described in code provision B.1.2(c)(ii) is adopted). The remuneration of the Directors has been determined by the Board with reference to their duties and responsibilities, experience, qualification and prevailing market conditions and will be subject to annual review. During the Year, the Remuneration Committee held one meeting, with all members present in the meeting and reviewed the remuneration of the Directors, and noted that the Board has not resolved to approve any remuneration or cooperation arrangements with which the Remuneration Committee has disagreed with.

Name of members	Number of attendance
Mr. HU Jianxing (<i>Chairman</i>)	1/1
Mr. JI Qing	1/1
Mr. GONG Biao	1/1

Nomination Committee

The Nomination Committee was established by the Company in 2005. The Nomination Committee is chaired by Mr. JIANG Tian, and Mr. HU Jianxing and Mr. JI Qing are the other members of the committee. The major responsibilities of the Nomination Committee include reviewing and approving all new appointments of directors and senior executives of the Group, and monitoring the overall adequacy of the Board's composition. The terms of reference, which sets out the Nomination Committee's authority, duties and responsibilities, are available on both the websites of the Company and the Stock Exchange.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, integrity, experience, skills, professional knowledge and the amount of time and effort that a candidate will devote to carry his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company has adopted a board diversity policy and it recognises and embraces the benefits of having a diverse composition of the Board. Differences in the talents, skills, regional and industrial experience, background, gender and other qualities will be considered in determining the optimum Board composition. The ultimate decision will be based on merit and contribution that the selected candidates are likely to bring to the Board.

The Nomination Committee holds at least one meeting annually to review the current Directors' and senior executives' structure, and to monitor the overall adequacy of the Board's composition. During the Year, the Nomination Committee held one meeting with attendance records as follows:

Name of members	Number of attendance
Mr. JIANG Tian (<i>Chairman</i>)	1/1
Mr. HU Jianxing	1/1
Mr. JI Qing	1/1

Nomination Policy

The Board has adopted the nomination policy (the "**Nomination Policy**") on 3 December 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

- (1) identifying potential candidates, including recommendations from the Board members, management, professional recruitment agency and the Shareholders;
- (2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;
- (3) reviewing the profiles of the shortlisted candidates and interview them; and
- (4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

Accountability and Audit

Financial Reporting

The management of the Company provides such explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval. The Directors acknowledge their responsibilities to prepare the consolidated financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. In preparing the consolidated financial statements for the Year, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to drive business forward. The Board has prepared the consolidated financial statements on a going concern basis. The reporting responsibilities of external auditor of the Company are disclosed in the "Independent Auditor's Report" of this report.

Delegation by the Board

Management Functions

Executive Directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior executives, the Chief Executive is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Board Committees

The Audit Committee, Remuneration Committee and Nomination Committee have been established to oversee specific aspects of the Company's affairs. Each of these committees has specific written terms of reference which deals clearly with their authorities and duties.

Company Secretary

The Company has engaged under a service contract with an external service provider, Ms. HO Wing Yan ("**Ms. HO**"), who is appointed as the Company Secretary. Ms. HOU Yingxuan, the executive Director and Chief Executive, is the primary corporate contact person of the Company with Ms. HO.

Being the Company Secretary, Ms. HO plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Ms. HO is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors.

Ms. HO is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. HO continues to study professional courses of corporate governance and has extensive experience in the company secretarial field for listed companies. Ms. HO is also a holder of the Practitioner's Endorsement issued by The Hong Kong Institute of Chartered Secretaries. In accordance with Rule 3.29 of the Listing Rules, Ms. HO took more than 15 hours of relevant professional training for the Year.

Corporate Social Responsibility

The Group is conscious of its role as a socially responsible group of companies. It has from time to time made donations for the well-being of the community and encourages its employees to participate in different charitable events.

Communication with Shareholders

Shareholders' Communication Policy

The Board adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with the Shareholders. Such policy aims at providing the Shareholders and potential investors with readily and timely access to balanced and understandable information of the Company. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company discloses relevant information to the Shareholders through the Company's annual report and consolidated financial statements, the interim report as well as the AGM. The sections under the "Chairman's Statement" and "Management Discussion and Analysis" of this report facilitate the Shareholders' understanding of the Company's activities. The AGM provides a sound channel for the Shareholders to meet and communicate with the Directors. The poll results of the AGM are published on both the websites of the Stock Exchange and the Company. The Company's consolidated financial statements and each of the required disclosure of information are despatched within the prescribed period imposed by laws and regulations. To further promote effective communication, the Company's website is maintained to disseminate the Company's announcements and other relevant financial and non-financial information electronically on a timely basis.

Shareholders' Rights

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Articles of Association and the Companies Ordinance, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-twentieth of the paid-up capital of the Company as at the date of the deposit carrying the right of voting at general meetings of the Company, the Board shall forthwith proceed duly to convene an extraordinary general meeting of the Company.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's registered office, and may consist of several documents in like form, each signed by one or more requisitionists.

If the Board does not, within 21 days from the date of the deposit of the requisition, proceed duly to convene a meeting on a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

Procedures for Putting Forward Proposals at a General Meeting

Pursuant to the Companies Ordinance, it shall be the duty of the Company, on the requisition in writing of member(s) holding at the date of requisition not less than one-fortieth of the total voting rights or of not less than 50 members holding shares in the Company on which there has been paid up an average sum, per member, of not less than HK\$2,000, and (unless the Company otherwise resolves) at the expense of the requisitionists:

- (a) to give to members of the Company, who are entitled to receive notice of the next AGM, notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) to circulate to members, who are entitled to have notice of any general meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition, signed by the requisitionists (or 2 or more copies which between them contain the signatures of all the requisitionists), should be deposited at the Company's registered office (in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in the case of any other requisition, not less than one week before the meeting). In addition, there should be deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

Procedures for Proposing a Person for Election as a Director

As regards to the procedures for proposing a person for election as a Director, please refer to the procedures made available under the "Corporate Governance" section of the Company's website at www.skychinafortune.com.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are set out in the "Contact Us" section of the Company's website at www.skychinafortune.com.

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

Dividend Policy

The Board has adopted the dividend policy (the "**Dividend Policy**") on 3 December 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Dividend Policy aims to allow the Shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities. The dividend distribution decision of the Company will depend on, among others, the financial results, the cash flow, Shareholders' interests, the general business conditions and strategies, the current and future operations, the liquidity and capital requirements, taxation considerations, statutory and regulatory restrictions and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

Investor Relations

The Company is committed to maintaining good relations with investors and firmly believes that increased transparency in the capital market will improve corporate governance and will be beneficial to the long-term development of the Company. During the Year, there was no change in the Company's constitutional documents.

Details of the Last Shareholders' Meeting

The last Shareholders' meeting was the AGM held at 17th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong on Friday, 5 June 2020 at 11:00 a.m. The notice for the AGM setting out details of each proposed resolution and other relevant information in the circular were distributed to all Shareholders more than 20 clear business days before the date of the AGM. In strict compliance with Rule 13.39(4) of the Listing Rules, all resolutions proposed in a general meeting will be decided on a poll except for procedural or administrative matters. The Company's share registrar, Union Registrars Limited, was appointed as the scrutineer for the purpose of vote-taking at the AGM. Procedures for conducting a poll were explained by Union Registrars Limited before commencement of poll voting at the AGM.

The poll results were posted on the websites of the Company and the Stock Exchange in accordance with the Listing Rules as soon as practicable after the conclusion of the AGM.

Important Shareholders' Dates

The forthcoming annual general meeting of the Company will be held on Friday, 4 June 2021.

Risk Management and Internal Control

During the Year, AVISTA PRO-WIS Risk Advisory Limited, an external professional firm, was engaged by the Company to conduct a review on the risk management and internal control systems of the Company for the Year (the “**Internal Control Review**”). The results of the Internal Control Review were submitted to the Board and the Audit Committee for their consideration, and the Board and the Audit Committee considered the risk management and internal control systems to be effective and adequate, and in compliance with the code provisions as set out in the CG Code.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The internal control systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against any material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board oversees the Company's risk management and internal control systems on an ongoing basis. A year-end review of the effectiveness of the Group's risk management and internal control systems is conducted annually, and self-assessment and comprehensive risk assessment surveys are also conducted during the review. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

The Board is also vested with the responsibility to disseminate to the Shareholders and the public any inside information in the form of announcements, in accordance with the Listing Rules.

Environmental, Social and Governance Report

About this Report

Overview

Sky Chinafortune Holdings Group Limited (the “**Company**”, and together with its subsidiaries, hereinafter referred to as “**Sky Chinafortune**” or the “**Group**”) acknowledges our responsibility to manage surrounding impacts and contribute to society. With this in mind, we are pleased to share with our fellow stakeholders our fourth Environmental Social and Governance (“**ESG**”) report (this “**ESG Report**”), which covers the financial year ended 31 December 2020.

About our business

Sky Chinafortune is mainly engaged in property investment in the People’s Republic of China (the “**PRC**”) and its major investment properties include residential premises, shops and car parks for rental. The Group is also engaged in the provision of property-related services and the retail business, which includes the sales of Chinese liquor and wine and everyday items.

As a responsible corporate citizen, the Group adheres to the principles of sustainable development and seeks to strike a balance between development, social welfare and environmental protection. To maintain the long-term sustainability of our business, we pay close attention to the external environment and make every effort to contribute to society with our strengths and resources.

The Group’s ESG governance structure

The Group adopts a top-down approach in managing its ESG issues. The board of directors of the Company (the “**Board**”) oversees and sets out the ESG strategy for the Group. The Board is also responsible for ensuring the effectiveness of the Group’s risk management and internal control mechanisms. To systematically manage ESG issues, a designated personnel collaborates with different departments to manage the Group’s ESG matters and collect relevant ESG information for the preparation of the ESG Report. Through the personnel’s periodic reporting to the management and the Board, the Board identifies and assesses the Group’s ESG risks and review the Group’s ESG performance against the Group’s ESG-related goals and targets, including but not limited to environmental, labour practices and other aspects of ESG.

Reporting scope and boundary

This ESG Report covers the sustainable development policy, approach and performance of the Group. Aligning with the 2020 annual report of the Group, this ESG Report covers the period from 1 January 2020 to 31 December 2020 (the “**Reporting Period**”). It covers the Group’s investment properties and the related services, retail premises and offices.

Reporting reference

This ESG Report has been prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (“**ESG Guide**”) set out in Appendix 27 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (“**HKEX**”). An index of the ESG Guide, in accordance with this ESG Report’s contents, is provided for readers’ easy reference. For corporate governance matters, please refer to the Corporate Governance Report section of the Group’s 2020 Annual Report.

Application of the reporting principles

This ESG Report has also been prepared based on the reporting principles of materiality, quantitative, balance and consistency in the ESG Guide.

Materiality: The Group determines the impact of ESG-related issues on internal and external stakeholders through the materiality issue assessment process, so as to conduct key responses and disclosures on material issues.

Quantitative: The Group accounts for and discloses in quantitative terms the ESG KPIs specified in the ESG Guide, and discloses in this ESG Report the calculation methods and conversion factors used.

Balance: This ESG Report aims to disclose data in an objective way and provides stakeholders with a balanced overview of the Group’s overall ESG performances.

Consistency: This ESG Report uses consistent methodologies as the previous ESG reports to allow meaningful comparisons of ESG data for the Reporting Period with historical data and future data. Any adjustments change in the methodologies are explained in this ESG Report.

Endorsement and approval

This ESG Report has been reviewed and approved by the Board.

Feedback

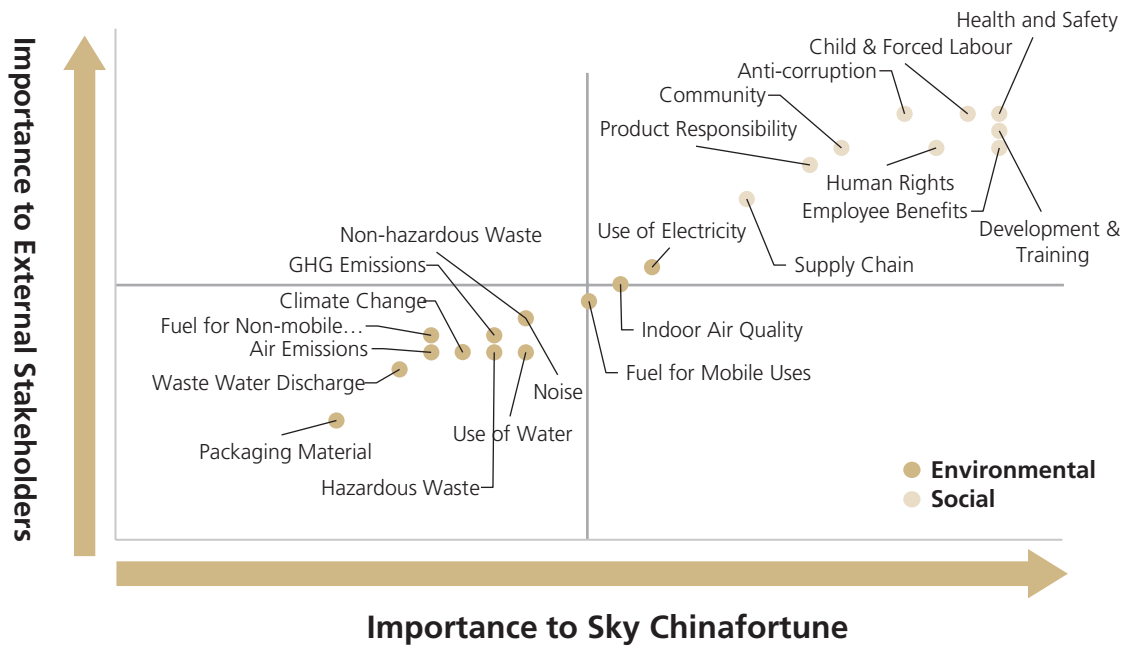
We welcome feedback from all stakeholders regarding this ESG Report. Please feel free to share your feedback and comments at: info@skychinafortune.com.

Stakeholder engagement and materiality assessment

The continuous engagement with our stakeholders is a significant and diverse input for our decision-making. It enables us to identify risks and opportunities, build effective long-term relationships and improve our works toward our ESG commitments. By recognising the concerns and priorities commonly shared by our stakeholders and the Group, we are able to make decisions that are beneficial to both the Group and stakeholders.

In the identification of material ESG issues, the management was invited to rate different ESG issues by their importance. The below materiality matrix shows the priorities of the importance of the ESG issues analysed and listed by the rating of the management:

Sky Chinafortune – Materiality Matrix



Environment

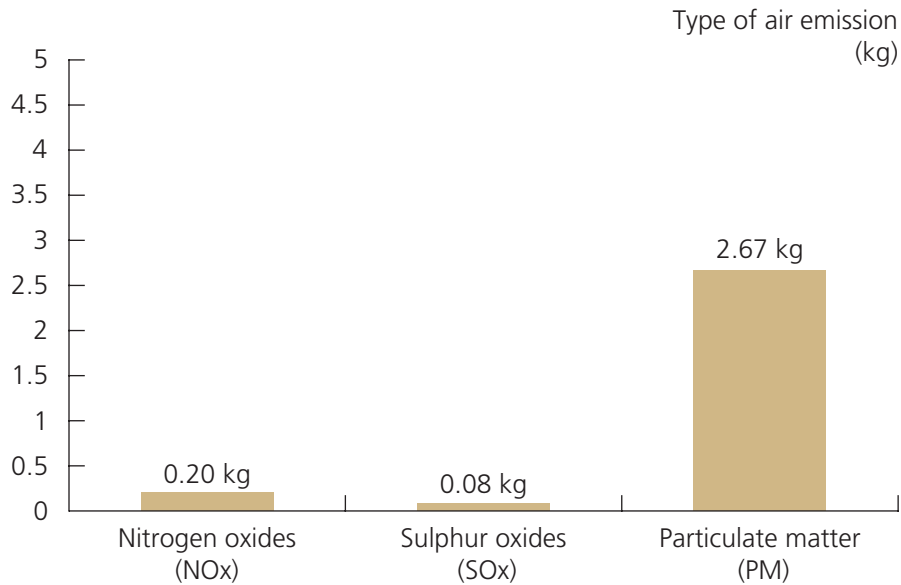
The environment is the basis of corporate presence and we strive to integrate environmental considerations into our business operations. To minimise our environmental impact, we adopt different measures in our daily operations to reduce emissions, conserve energy and water, and reduce waste.

Emissions

Due to the business nature of our different segments, we do not produce significant air emissions, greenhouse gas (GHG), hazardous waste, non-hazardous waste or waste water discharge. In the management of emissions, we comply strictly with the relevant laws and regulations and seek to look for opportunities to pursue environmentally-friendly initiatives, enhance our environmental performance by reducing energy consumption and minimise our emissions where reasonably practicable.

Air emissions

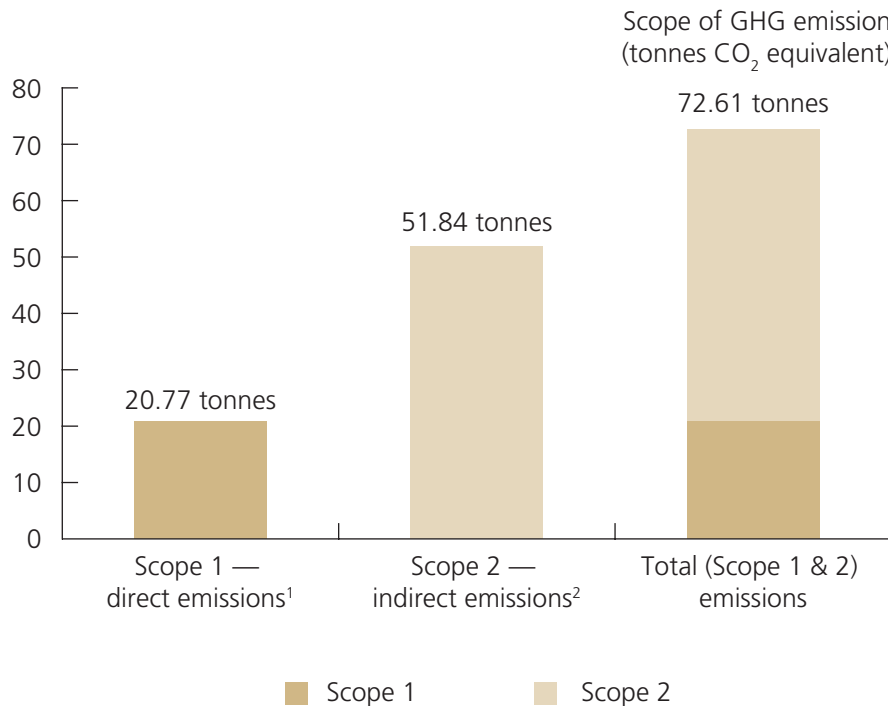
The Group is not involved in any industrial activity. The major source of air emissions during the Reporting Period was from the Company's vehicles, in which vehicular emissions are shown below:



GHG emission

Energy use represents a significant proportion of our GHG emissions. During the Reporting Period, we continued to adopt different energy-saving measures in our premises to improve our energy efficiency and subsequently reduce our overall carbon emissions. Please refer to the section named "Use of resources" for more details of energy-saving measures adopted.

Based on the Greenhouse Gas Protocol — A Corporate Accounting and Reporting Standard (Revised Edition) published by the World Business Council for Sustainable Development and World Resources Institute, we have assessed the Group’s GHG emissions as set out below:



Waste management

Due to the business nature of the Group, there are limited wastes generated at our office and retail premises. In managing the non-hazardous wastes, we follow the “3R” principle of reduce, reuse and recycle to minimise waste generation and disposal.

General waste

General waste produced by the Group includes paper and other domestic wastes. To reduce use of paper and waste generated, we have taken and will continue to take various measures to reduce the consumption of paper and other office supplies as below:

- Advocating the idea of ‘paperless’ office and encouraging our staff to use electronic communications when feasible;
- Encouraging duplex printing and the reuse of single-sided paper as draft paper;

¹ Scope 1 GHG emission factors were referenced from: (1) Appendix 2 to “How to prepare an ESG Report” as issued by the HKEX; and (2) the “Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)” as issued by the National Development and Reform Commission of the PRC.

² Scope 2 GHG emission factors were referenced from: (1) “Sustainability Report 2019” of HK Electric Investments; and (2) “2015 National Baseline Grid Emission Factor” as issued by the Ministry of Ecology and Environment of the PRC.

- Monitoring the consumption of office supplies for possible wastage and encouraging reuse; and
- Providing recycling box for collecting paper wastes.

In 2020, the Group generated 254.6 kg³ of non-hazardous waste in total, which were mostly wastepaper, domestic waste and construction waste generated from the renovation of the convenience stores.

Hazardous waste

Given the business nature of the Group, we do not generate any significant amount of hazardous waste.

Regulatory compliance

During the Reporting Period, we were not aware of any material non-compliance with laws and regulations relating to environmental emissions.

Use of resources

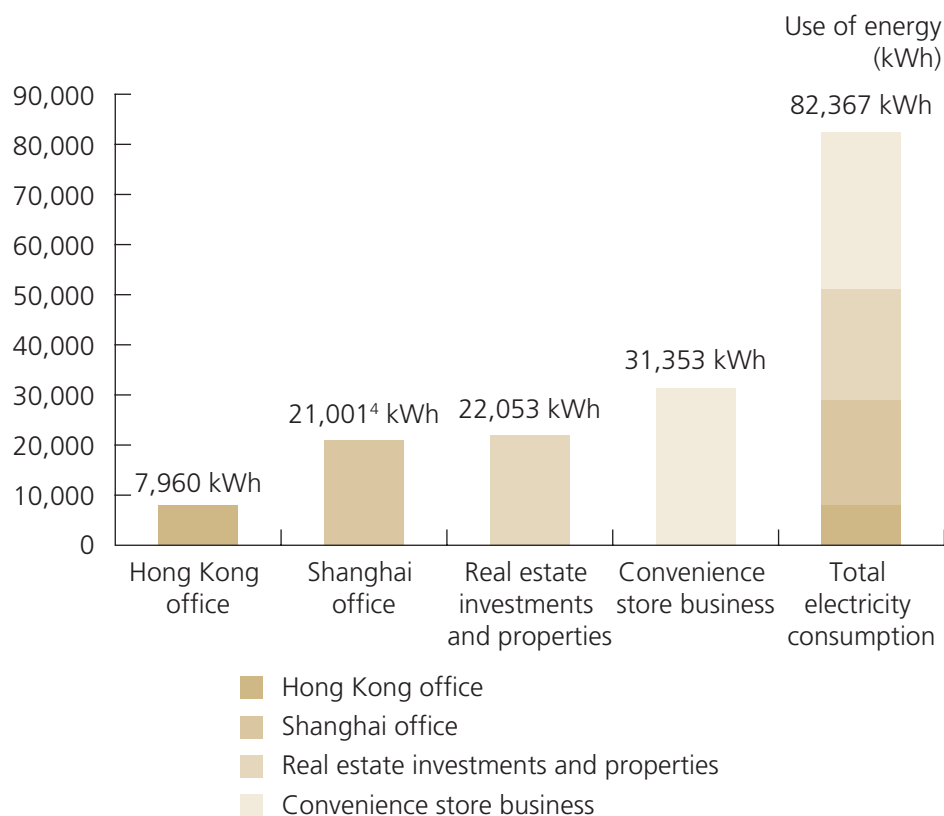
The Group is committed to utilising resources efficiently to prevent wastage in our daily operations. In our Hong Kong and Shanghai offices, we have enforced various measures to conserve energy, water, paper materials and miscellaneous supplies, from adopting used paper to encouraging environmentally-friendly practices amongst our colleagues.

Use of electricity

In our offices, electricity powers most of our basic office supplies, including lighting, air conditioning and electronic equipment. We have taken and will continue to take various measures for reducing energy consumption in our offices as listed below:

- Reminding employees to turn off lighting when leaving a room for more than an hour and switch off computers after working hours;
- Switching office equipment and electronic appliances to energy-saving mode (e.g. enabling the printers and computers to automatically power down after a period of inactivity);
- Considering the use of appliances that meet the Grade 1 standard of the Electrical and Mechanical Services Department's energy efficiency label whenever replacing new office equipment or procuring renovation materials; and
- Switching of all office lightings with LED.

³ Excluding the Hong Kong office, where there was minimal waste and the data was not tracked.



Use of energy

	Unit	2020
Total petroleum consumption	litre	7,594
Total natural gas consumption	m ³	97
Total energy consumption	GJ	561.4 ⁵
Total energy consumption intensity by floor area	GJ/m ²	11.6

Use of water

Due to the business nature, there is an insignificant amount of water consumption in our offices, retail stores and investment properties, and the Group did not encounter any issue in sourcing water that is fit for purpose. Nonetheless, the Group highly promotes the idea of saving water within our threshold. Abundant publications such as posters and stickers are presented in visible spots as a reminder for our employees to utilise and conserve water.

⁴ Due to the COVID-19 pandemic, there was no meter reading in January and February 2020 at the Shanghai office. Hence the reported electricity consumption of the Shanghai office covers only consumptions from March to December 2020.

⁵ Energy conversion factors were taken from Appendix 2 to "How to prepare an ESG Report" as issued by HKEX and the "Greenhouse gas reporting: conversion factors 2020" as issued by DEFRA.

We also pay attention to properly managing the water piping and drainage systems of our investment properties. To reduce water wastage, regular inspections are carried out to repair any leakage in time.

Currently the water consumed in our leased premises, including Hong Kong and Shanghai offices, are managed by the respective property owners or property management companies and no breakdown of the water consumption of the offices can be obtained. For convenience stores and investment properties where we can obtain water usage data, the total water consumption in 2020 was 83 m³.

Social

Employment and labour practices

Talents are key to the Group's development. We adopt fair recruitment practices and provide competitive remuneration packages to ensure that we can attract and retain talents to uphold our foundation of business growth and success for promoting our development opportunities.

The Group abides by labour laws and policies, including the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and the "Labour Law of the People's Republic of China". To communicate to employees their rights and responsibilities, the Group formulated different staff handbooks for the different businesses to govern all employee matters concerning recruitment, compensation, benefits, and conduct and ethics.

Equal opportunity employment

The Group adopts fair recruitment practices and selects talents based on the developmental needs of our businesses. The Group strives to provide our staff with a working environment that is free of discrimination, harassment and harm. Equal opportunities are provided fairly in all aspects of our employment process, including recruitment, training, promotion, benefits, transfer and dismissal.

We do not tolerate any discrimination or harassment against anyone due to their personal attributes such as race, age, gender, family status, physical disability, sexual orientation, religion or belief. Any complaints received regarding discrimination or harassment will be investigated thoroughly by our Human Resources and Administrative Department with strict confidentiality. During the Reporting Period, we did not receive any complaint regarding such issues.

Remuneration and benefits

To retain and motivate our employees, we provide employees with competitive remuneration packages and regularly review and adjust the packages based on factors such as the Group's business performance, employee performance, change in duties and inflation rates. On top of basic salary, a discretionary annual bonus is provided depending on our business performance and the individual performance of employees.

Fringe benefits are also provided to retain employees. Besides statutory labour benefits and employer Mandatory Provident Fund provisions, PRC employees and Hong Kong employees are also entitled to social insurance and medical benefits, respectively. They are also entitled to paid annual leaves, maternity leaves, paternity leaves and sick leaves. To show our care on employees' personal life, subsidies for marriage, childbirth, birthday and condolence are provided to permanent staff as well.

Prevention of child and forced labour

The Group respects individual human rights and strictly complies with relevant local laws and regulations regarding child and forced labour. We prohibit the employment of child and forced labour in all operations and have set clear policies on our employment process to prevent any abuse.

During recruitment, the age of the applicants is verified with identification documents to ensure that no underage labour is employed. All our employees are protected by employment contracts with terms of jobs clearly stated and shall not be subject to forced labour. We uphold employees' freedom to express their opinions and have in place a formal complaint procedure to facilitate any escalation to the management of our employees.

Employment statistics

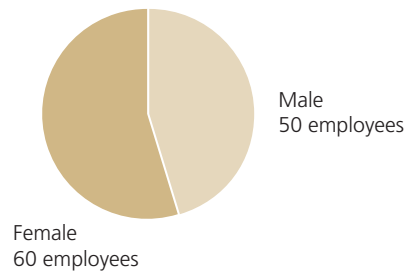
As at 31 December 2020, the Group had 110 employees (excluding non-executive directors and independent non-executive directors), with a turnover rate of 52.5%. Detailed classifications are listed below:

By region

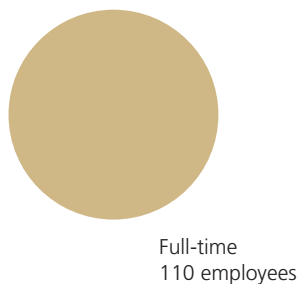


Employee number
(as at 31 December 2020)

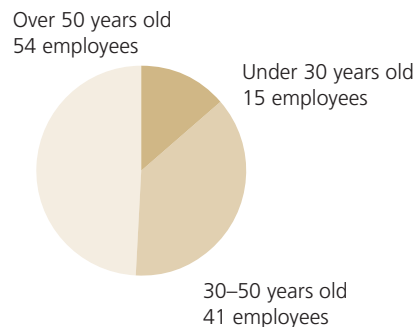
By gender



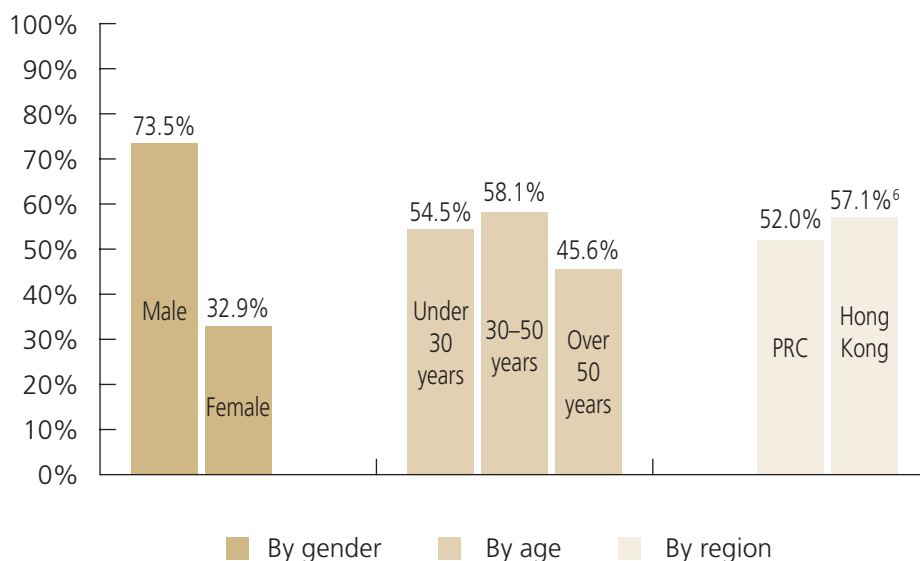
By employment type



By age



Turnover rate
(as at 31 December 2020)



Regulatory compliance

During the Reporting Period, we were not aware of any material non-compliance with laws and regulations regarding employment and labour practices.

Health and safety

We strive to provide employees with safe and healthy working environment. We abide by all key occupational health and safety legislation, such as the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases of China.

We have established health and safety policies with regular inspections of the workplace performed to screen out potential hazards. Emergency provisions such as smoke detectors, fire extinguishers and first aid kits are properly maintained, and we ensure our employees have access to necessities such as potable water and sanitary facilities.

During the COVID-19 pandemic in 2020, we adopted proper control methods to protect our employees. In our offices, employees are required to wear face masks and maintain social distance. Convenience store customers are also reminded to adopt adequate personal protection measures and maintain social distance in the stores.

During the Reporting Period, there was no work-related injury or fatality reported.

⁶ Excluding employees leaving employment due to personal health issues, end of temporary employment and unsatisfactory performance during probationary period.

Regulatory compliance

During the Reporting Period, we were not aware of any material non-compliance with laws and regulations regarding occupational health and safety.

Development and training

The Group believes that the personal growth of our employees relates positively to the continuous growth of our businesses. Therefore, we strive to support our employees in professional development and seek to boost their sense of belonging so that employees can continuously grow in a harmonious working environment.

Through training, we equip employees with the latest industry knowledge and expertise to maintain employees' competitiveness. During the Reporting Period, we continued to encourage our colleagues to seek various career training to enhance their capabilities to discharge their respective duties. We also offered basic training including new employee orientation, on-the-job training, and safety and emergency training.

Employees are encouraged to develop and equip themselves with professional qualifications for future challenges. As part of the annual appraisal practice, employees are encouraged to discuss and formulate their personal development plan. We provide examination leaves and educational subsidies to employees upon successful application to support their continuous learning.

Employee training statistics		2020	
		Average training hours	Percentage of employee trained
By gender	Male	1.4	70.0%
	Female	1.3	58.3%
By employee category	Management	1.7	60.9%
	General staff	1.3	64.4%

Supply chain management

We work with our suppliers in a fair and unbiased manner and abide by the relevant laws and regulations in Hong Kong and the PRC. During the procurement process, we pay attention to suppliers' capability, quality, compliance status, pricing and certifications. We only appointed suppliers that meet all of our requirements.

For our new convenience store business, we have formulated a policy governing the procurement and payment process. Under the policy, we invite at least three suppliers for comparison and perform checks on the suppliers on factors including product quality, capability and compliance to relevant national standards.

We also care about the ESG compliance of our suppliers. When we consider cooperating with a potential supplier, we take into consideration the environmental impact and prioritise green products where practicable. Besides environmental factors, we also consider the social compliance of suppliers when procuring from them.

During the Reporting Period, the Group had a total of 31 suppliers in Hong Kong and 110 in the PRC.

Product responsibility

Product quality and safety

To ensure product quality and safety, we only work with reputable business partners that meet industry regulations and comply with relevant ESG regulations. We cooperate with suppliers to analyse quality problems.

For our convenience store business, we perform thorough checks on food product suppliers' compliance with national food safety standards and perform site visits to assess suppliers' production facilities. Every six months, we will reassess our suppliers based on factors including their product quality, price and delivery to effectively monitor and track their performance. When products arrive at our stores, we carefully examine the condition of the products and return to the suppliers any product that is not up to standard or are delivered in excess.

For our Chinese liquor and wine business, we promote practical application of food safety responsibilities shouldered by related parties and undergo food quality safety management. We trained our employees of retail segment with essential food safety knowledge. We strictly abide by the Food Safety Law of the People's Republic of China. As we continue to develop into our retail business, we will continue to carefully review the capability of our suppliers to ensure the quality and safety of our products.

During the Reporting Period, the Group did not have any product recalls as a result of health and safety issues.

Customer feedback channels

We value the feedback of our clients and have in place effective customer feedback and complaint mechanism. Customers may raise their opinion through telephone calls or emails, and our staff will register the detail of the complaint, identify the reasons behind it and arrange the department and person in charge of handling the complaint. All information relevant to the complaint will be kept confidential and will only be used for our internal evaluation to prevent similar occasions from happening. During the Reporting Period, we were not aware of any major complaints from our clients.

Protection of customer privacy

The Group has non-disclosure requirements to ensure customer confidentiality. Access to customer information is restricted and only authorised staff is allowed to such customer information. Sensitive information should not be taken out of the office.

Protection of intellectual property rights

The Group respects intellectual property rights and prohibits any act that may violate these rights. Given the nature of our business operations, the areas of concerns related to intellectual property rights are related to the use of licensed software and marketing material of retails business. We provide legally licensed software for all staff and prohibit the use or installation of plagiarised software. For marketing materials we abide by the local regulations.

Regulatory compliance

During the Reporting Period, we were not aware of any material non-compliance with laws and regulations regarding product responsibility.

Anti-corruption

The Group is committed to accomplishing the highest standards of openness, probity and accountability. We strictly follow the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and the Criminal Law of the People's Republic of China and have zero-tolerance against bribery, extortion, fraud or money laundering whether in dealing with public officials or individuals in the private sector.

Employees at all levels are required to conduct themselves with integrity, impartiality and honesty. We make sure that all our employees are aware of the requirements upon recruitment with our staff handbooks, which provide guidance on how employees should conduct themselves and stipulate that employees are not allowed to demand or accept any benefit, including money, gifts, rewards, services or privileges, in connection with their duties.

We have a "Policy for employees raising concerns about improprieties" in place which applies to all employees. Employees are encouraged to report any legitimate concern over any possible improprieties in financial reporting, internal control or other unethical acts. The policy protects employees from any form of retribution for false allegations brought out of good faith. Any confirmed violations will result in a warning, disciplinary actions or even termination of employment depending on the level of severity of the incident.

Regulatory compliance

During the Reporting Period, there was no concluded legal case regarding corrupt practices brought against the Group or its employees, and we were not aware of any material non-compliance with laws and regulations regarding anti-corruption.

Community investment

The Group is committed to enhancing the development of the respective communities in which it operates, integrating with our main business and promulgating the general support of our communities. We encourage employees to actively participate in community development activities, and support initiatives that serve the needs and improve the quality of life of the socio-economically underprivileged.

In 2020, our Hong Kong office continued to participate in the annual Casual Day organised by The Community Chest to demonstrate our commitment to social causes.

Appendix I: HKEX ESG content index

Aspect	Section	Remarks
A	Environmental	
A1	Emissions	
A1.1	Types of emissions and respective emission data	
A1.2	GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Given the nature of our business, we do not produce any significant amount of hazardous waste.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	
A1.5	Description of emission target(s) set and steps taken to achieve them	
A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of reduction target(s) set and steps taken to achieve them	
A2	Use of resources	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	
A2.4	Description of whether any issue exists in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	— Due to the nature of our business, the amount of packaging material used in our operations is insignificant.
A3	Environment and natural resources	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them	The significant environmental issues in our business are already disclosed in sections "Emissions" and "Use of resources".

	Aspect	Section	Remarks
B	Social		
B1	Employment	Employment and labour standards	—
B2	Health and safety	Health and safety	—
B3	Development and training	Development and training	—
B4	Labour standards	Employment and labour standards	—
B5	Supply chain management	Supply chain management	—
B6	Product responsibility	Product responsibility	—
B7	Anti-corruption	Anti-corruption	—
B8	Community investment	Community investment	—

Directors' Report

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

Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in (i) investment property business; (ii) trading of properties; (iii) property related services business; and (iv) retail business in the PRC. The principal activities of its subsidiaries are set out in note 26 to the financial statements.

Business Review

A detailed business review of the Group for the Year as required by section 388 and Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis of the Group's performance using financial key performance indicators, is set out in the "Chairman's Statement", the "Management Discussion and Analysis" and the "Five-year Financial Summary" in this report. Important events affecting the Group are provided under the "Event after the Reporting Date" of this report.

Environmental Policies and Performance

The Group is committed to promoting sustainable development and focusing on environmental protection in the business operation. Environmental policies have been adopted by the Group to ensure the business is conducted in an environmentally-friendly manner.

The Group has also reviewed its environmental policies and performance from time to time to minimise the environmental impacts of its business operation. During the Year, the Company was not aware of any incidents of significant non-compliance to relevant environmental policies, laws and regulations. Details regarding the Group's environmental policies and performance are set out in the "Environmental, Social and Governance Report" of this report.

Compliance with the Relevant Laws and Regulations

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and ordinances relating to occupational safety for the interest of employees of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Key Risks and Uncertainties

Details of the key risks and uncertainties are set out in the section of "Management Discussion and Analysis" of this report.

Relationships with Stakeholders

Details of the relationships with stakeholders are set out in the section of "Management Discussion and Analysis" of this report.

Financial Statements and Appropriations

The financial performance of the Group for the Year is set out in the consolidated statement of profit or loss on page 62.

The Board did not recommend the payment of a final dividend for the Year (2019: Nil).

Reserves

Movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on pages 66 to 67.

Movements in the reserves of the Company during the Year are set out in note 23(d) to the financial statements.

Investment Properties

Details of movements in the investment properties of the Group during the Year are set out in note 12 to the financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the financial statements.

Principal Properties

Details of the principal properties of the Group as at 31 December 2020 are set out on pages 135 to 137.

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2020 are set out in note 26 to the financial statements.

Share Capital

Details of the movements in share capital of the Company during the Year are set out in note 23(a) to the financial statements.

Fund Raising

The Company had conducted two placings of new shares of the Company (the "Shares") under general mandate in 2017 (the "Placings") with details as follows:

	Date of placing agreement	No. of new Shares placed	Placing price	Net placing price	Gross and net proceeds	Market price of the Shares on the date when the issuance terms were determined	Date of completion
First Placing	10 February 2017	52,300,000 Shares	HK\$1.44	HK\$1.43	Approximately HK\$75.31 million and HK\$74.72 million	HK\$1.75 (10 February 2017)	24 February 2017
Second Placing	3 November 2017	31,390,000 Shares	HK\$1.50	HK\$1.49	Approximately HK\$47.09 million and HK\$46.67 million	HK\$1.78 (3 November 2017)	30 November 2017

For details of the Placings, please refer to the Company's announcements dated 10 February 2017, 24 February 2017, 3 November 2017 and 30 November 2017, respectively.

The intended and actual use of proceeds from the Placings up to 31 December 2020 are set out as follows:

Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds up to 31 December 2020	Unutilised proceeds	Expected timeline for utilising the unutilised net proceeds (Note)
First Placing	Approximately HK\$74.72 million	For (i) general working capital; and/or (ii) financing future investment or new business development as and when opportunities arise	(i) Approximately HK\$50.89 million had been applied towards the general working capital of the Group (i.e. rental expenses, remuneration of Directors and employees, legal and professional fees and other administrative expenses); and (ii) Approximately HK\$22.85 million had been used for the settlement of the consideration of the acquisition of 11 contiguous double deck shop units with a two-storey retail building located in Liaoning Province, the PRC, and its related taxes and expenses	Approximately HK\$0.98 million will be applied as general working capital of the Group Nil	By 2021
Second Placing	Approximately HK\$46.67 million	For (i) general working capital; and/or (ii) financing future investment or new business development as and when opportunities arise	(i) Nil; and (ii) Approximately HK\$12.31 million and HK\$12.10 million had been used for the automobile business and the retail business, respectively	Approximately HK\$22.26 million will be used as intended for financing new business development when the opportunity arises (including but not limited to the expansion of the retail business)	By 2022

Note: The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 138.

Distributable Reserves of the Company

As at 31 December 2020, the Company's reserves available for distribution, calculated under sections 291, 297 and 299 of the Companies Ordinance, consisted of retained profits of approximately HK\$127.49 million (2019: approximately HK\$152.79 million).

Purchase, Sale or Redemption of Listed Securities

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

Equity-linked Agreement

Share Option Scheme

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee (whether full time or part time employee) or executive director of the Company or any of its subsidiaries or invested entity (any entity in which the Group holds any equity interest); any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or invested entity; any supplier of goods or services to any member of the Group or any invested entity; any customer of the Group or any invested entity; any person or entity that provides research, development, or other technological support to the Group or any invested entity; and any shareholder of any member of the Group or any invested entity or any holder of securities issued by any member of the Group or any invested entity. The Scheme was adopted and approved by the Shareholders on 14 May 2010 and expired on 13 May 2020.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company (the "Limit") must not in aggregate exceed 26,168,491 Shares, representing 10% of the ordinary Shares in issue on 14 May 2010, the date on which the Scheme was adopted. The maximum number of Shares issued and to be issued upon exercise of the options granted to each eligible participant in the Scheme (including exercised, cancelled and outstanding options) within any 12-month period is limited to 1% of the Shares in issue. Any further grant of options in the 12-month period up to and including the date of such further grant in excess of this Limit is subject to the Shareholders' approval in a general meeting of the Company.

Each grant of options to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is subject to approval in advance by the independent non-executive Directors, other than an independent non-executive Director who is proposed to be a grantee. In addition, any grant of options to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in a 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of grant) in excess of HK\$5 million, is subject to Shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the options granted is determined by the Board, save that such a period shall not be more than 10 years from the date of offer of the options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the Board at its sole discretion, there is no requirement of minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price of the options is determinable by the Board, but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the options which must be a trading day; and
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer.

No options have been granted under the Scheme during the life of the Scheme, and no further options shall be granted under the Scheme upon its expiration.

Save as disclosed above, no equity-linked agreement was entered into during the Year or subsisted at the end of the Year.

Directors

The Directors during the Year and up to the date of this report are:

Executive Directors:

Mr. JIANG Tian (*Chairman*)

Ms. HOU Yingxuan (*Chief Executive*)

Mr. GONG Biao (*Vice-President*)

Ms. JIANG Jiabao*

Non-executive Director:

Mr. CHAI Yuet

Independent non-executive Directors:

Mr. HU Jianxing

Mr. TSEUNG Yuk Hei Kenneth

Mr. JI Qing

* *Ms. JIANG Jiabao was appointed as an executive Director on 6 January 2020.*

In accordance with Article 104(A) of the Articles of Association, Mr. JIANG Tian, Mr. GONG Biao and Mr. CHAI Yuet shall retire at the forthcoming AGM and be eligible for re-election by the Shareholders at the forthcoming AGM.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the requirement of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

Biographical Details of Directors

The biographical details of the Directors are set out on pages 12 to 14 of this report.

Directors' Service Contracts

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

Updates on Directors' Information

The following is updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. TSEUNG Yuk Hei Kenneth was appointed as the managing director of Heungkong Financial Group Limited and one of the licensed responsible officers under the SFO for Heungkong Capital Limited (a subsidiary of Heungkong Financial Group Limited), respectively, in September 2020.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in this report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the Year or at any time during the Year.

Indemnity of Directors

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the Year.

Contract of Significance

During the Year, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries.

Directors' Interest in a Competing Business

As at 31 December 2020, the Directors were not aware of any business or interest of the Directors and their respective close associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have within the Group.

Directors of Subsidiaries

Up to the date of this report, the subsidiaries of the Company (the "Subsidiaries") and the particulars of the Subsidiaries are listed out as follows:

Name of subsidiaries	Place/Country of incorporation/operations	Principal activities	List of directors
Adamgate Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Capital Head Investment Limited	Hong Kong	Property Investment in Shanghai, the PRC	Ms. HOU Yingxuan Mr. GONG Biao
Concord Trinity Development Limited	Hong Kong	Property Investment in Shanghai, the PRC	Ms. HOU Yingxuan Mr. GONG Biao
Dragon Intellect Holdings Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Glory South Investment Limited	Hong Kong	Property Investment in Hainan, the PRC	Ms. HOU Yingxuan
Idscan Technology Limited	Hong Kong	Investment Holding	Ms. HOU Yingxuan
Jelson Enterprises Limited	Hong Kong	Property Investment in Shanghai, the PRC	Ms. HOU Yingxuan
Max Benefit Group Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Poppins Properties Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Sino Season Investments Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Splendid Maple Investments Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Poppins Properties (博平置業(上海)有限公司)	PRC	Property Investment in Shanghai, the PRC	Mr. ZHU Gang Mr. YAN Min Ms. JIANG Jiabao
Anshan Tian Xi Hai Jia Sales Company Limited* (鞍山天禧海嘉商業銷售有限公司)	PRC	Provision of property related services in Anshan, the PRC	Ms. FAN Siyan
Great China Holdings Limited	Hong Kong	Investment holding	Ms. HOU Yingxuan

Name of subsidiaries	Place/Country of incorporation/operations	Principal activities	List of directors
Sky Chinastar Holdings Group Limited	Hong Kong	Investment holding	Ms. HOU Yingxuan
Sky Chinafortune (Shanghai) Business Management Co., Ltd.* (天禧海嘉(上海)商務管理有限公司)	PRC	Investment holding	Ms. JIANG Jiabao Mr. ZHU Gang Ms. WU Ying
Ju Mian (Shanghai) Catering Co., Ltd.* (橘面(上海)餐飲有限公司)	PRC	Retail sales and food and beverage in the PRC	Mr. ZHU Gang
Shanghai Da Ju Convenience Store Limited (上海大橘便利店有限公司)	PRC	Retail sales and food and beverage in the PRC	Mr. ZHU Gang
Shanghai Da Mu Mao Jiong Convenience Store Co., Limited* (上海大木茅岡便利店有限公司)	PRC	Retail sales and food and beverage in the PRC	Mr. ZHU Gang
Anshan Da Mu Mao Jiong Convenience Store Co., Limited* (鞍山大木茅岡便利店有限公司)	PRC	Retail sales and food and beverage in the PRC	Mr. SHEN Dong
Shanghai Yi Sheng Financial Leasing Co., Limited* (上海弈晟融資租賃有限公司)	PRC	Financing and lease service in the PRC	Mr. LAI Han
Shanghai Xu Hao Po Food Sales Co., Limited* (上海徐好婆食品銷售有限公司)	PRC	Retail sales and food and beverage in the PRC	Mr. ZENG Qiang

* The English translation of the name of the subsidiaries are for reference only. The official names of these subsidiaries are in Chinese.

Arrangements to Purchase Shares or Debentures

Save for the Scheme as disclosed in "Share Option Scheme" in this report and note 23(d) to the financial statements, at no time during the Year was the Company or any of its holding company or subsidiaries a party to any arrangements that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 31 December 2020, the following Directors or the chief executive had interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

Long positions in the Shares

Name of director	Capacity/ Nature of Interest	Number of Shares interested			Percentage of the issued Shares*
		Direct interests	Deemed interests	Total interests	
Mr. JIANG Tian	Beneficial owner	5,742,000	—	192,918,577	55.86%
	Interest in a controlled corporation	—	187,176,577 (Note 1)	—	
Ms. JIANG Jiabao	Beneficial owner	24,684,000	—	—	7.15%

Long positions in the shares of the associated corporations

Name of director	Name of associated corporation	Capacity	Number of shares held	Percentage of the issued shares of associated corporation*
Mr. JIANG Tian	Hopevision Group Ltd. (Note 2)	Interest in a controlled corporation	1	100%
	HK Hopevision	Interest in a controlled corporation	1	100%
	Shanghai Chongsheng (Note 2)	Beneficial owner	N/A	99%
Mr. GONG Biao	Shanghai Chongsheng (Note 2)	Beneficial owner	N/A	1%

Notes:

1. Mr. JIANG Tian was deemed to be interested in 192,918,577 Shares, among which 187,176,577 Shares were held by Hopevision Group Ltd. and 5,742,000 Shares were held in his own capacity.
 2. Hopevision Group Ltd. was indirectly wholly owned by Shanghai Chongsheng, whose registered capital of RMB50,000,000 was in turn owned as to 99% by Mr. JIANG Tian and 1% by Mr. GONG Biao.
- * The percentage represents the number of shares interested divided by the number of the issued shares of the respective companies as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

None of the Directors nor the chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) during the Year.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, as at 31 December 2020, the following parties had interests in 5% or more of the issued Shares:

Long positions in the Shares

Name of substantial Shareholder	Capacity/ Nature of Interest	Number of Shares interested			Percentage of the issued Shares*
		Direct interests	Deemed interests	Total interests	
Hopevision Group Ltd.	Beneficial owner	187,176,577	—	187,176,577	54.20%
Shanghai Chongsheng	Interested in a controlled corporation	—	187,176,577 (Note 1)	187,176,577	54.20%
Smart Emperor Global Limited	Beneficial owner	20,930,000	—	20,930,000	6.06%
Ms. SU Shan	Interested in a controlled corporation	—	20,930,000 (Note 2)	20,930,000	6.06%

Notes:

1. The share capital of Hopevision Group Ltd. was wholly owned by HK Hopevision, which was wholly owned by Shanghai Chongsheng, which was owned as to 99% by Mr. JIANG Tian. Accordingly, Mr. JIANG Tian and Shanghai Chongsheng were deemed to be interested in the 187,176,577 Shares held by Hopevision Group Ltd.
 2. The share capital of Smart Emperor Global Limited was wholly owned by Ms. SU Shan. Accordingly, Ms. SU Shan was deemed to be interested in the 20,930,000 Shares held by Smart Emperor Global Limited.
- * The percentage represents the number of shares interested divided by the number of the issued Shares as at 31 December 2020.

Save as disclosed above, the Directors are not aware of any person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above) who, as at 31 December 2020, had an interest or a short position in the Shares, or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the any, or which would be recorded in the register kept by the Company under section 336 of the SFO.

Management Contracts

No contracts (other than the employment contracts) concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

Major Customers and Suppliers

For the Year, the Group's five largest customers accounted for approximately 58.67% of the Group's revenue and approximately 31.96% of the Group's revenue was attributable to the largest customer.

Our major customers include food and beverage management companies and companies engaging in entertainment and leisure activities, and had business relationship with the Group for over 10 years. Details of the trade receivables of the Group as at 31 December 2020 are set out in notes 18 and 30(d) to the financial statements. Up to the date of this report, all trade receivables from the major customers had been settled.

Rents from leasing of investment properties are normally received in advance without credit terms to tenants. It may cause financial loss to the Group due to failure to discharge an obligation by the counterparties. In order to mitigate such risk, the Group normally receives 2 months rental deposit and deposits may be withheld by the Group in part or in whole if receivables due from tenants are not settled or in case of other breaches of contracts. Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality, before setting a credit limit on the new contracts. Credit limits assigned to customers are reviewed once a year. Also, the Group maintains good relationship with existing customers and notice/debit notes will be provided for reminder/settlement purpose.

During the Year, the Group had not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We did not have any material dispute with our customers.

For the Year, the Group's five largest suppliers accounted for approximately 90.53% of the Group's purchases and approximately 71.25% of the Group's purchases was attributable to the largest supplier.

Our major suppliers supply products to the Group's Chinese liquor and wine store and convenience stores, and are mainly trading companies which supply Chinese liquor and wine or certain merchandise. The credit period granted by the major suppliers ranged from 0 to 30 days. Details of the trade payables of the Group as at 31 December 2020 are set out in note 20 to the financial statements. Up to the date of this report, all the trade payables to the major suppliers has been settled.

Before placement of purchase orders to the suppliers, the Group considers their product price, product quality, delivery schedule, business scale and reputation. The Group builds its retail business and brand recognition on product quality and customer satisfaction. Its suppliers are required to meet the desired quality standards and deliver their products on time. The Group has implemented a stringent quality control system to ensure that the products from its suppliers can meet the Group's quality standard. Further, the Group's procurement team communicates with the suppliers regularly to ensure that the suppliers understand the Group's quality requirements and they can deliver the products on time.

During the Year, the Group did not have any significant disputes with our major suppliers and there had been no material defaults in the settlement of the Group's trade payables during the Year.

None of the Directors or their respective close associates or any of the Shareholders (who owns more than 5% of the Company's number of the issued Shares) had any interest in any of the Group's five largest customers or suppliers during the Year.

Corporate Governance

The corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" of this report.

Connected Transaction and Related Party Transactions

During the Year, there was no connected transaction or continuing connected transaction which required the compliance with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Details of material related party transactions undertaken in the usual course of business of the Group are set out in note 27 to the financial statements. However, these transactions were either exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14 of the Listing Rules, or did not fall under the definition of connected transactions or continuing connected transactions as defined in the Listing Rules.

Charitable Donations

During the Year, the Group made charitable donations amounting to approximately HK\$15,000 (2019: approximately HK\$10,000).

Segment Information

An analysis of the Group's performance for the Year by reportable segment is set out in note 5 to the financial statements.

Emolument Policy

The emolument policy of the employees of the Group is formulated and approved by the Board based on the employees' merit, qualification and competence.

The emoluments of the Directors are determined by the Board, having regard to the Company's operating results, individual performance and comparable market statistics, based on the recommendation of the Remuneration Committee.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed public float of at least 25% of the total issued Shares as required under the Listing Rules for the Year.

Decision on the Stock Exchange on Rule 13.24

On 22 January 2021, the Company had received a letter from the Stock Exchange, which served as a notice that the Stock Exchange has decided that the Company had failed to maintain a sufficient level of operations as required under rule 13.24 of the Listing Rules to warrant the continued listing of the Shares, and that, subject to whether the Company applies for a review of the Decision (defined below), trading in the Shares shall be suspended under rule 6.01(3) of the Listing Rules (the "**Decision**").

On 2 February 2021, after seeking professional advice, the Company had submitted a written request for the Decision to be referred to the Listing Committee of the Stock Exchange for review pursuant to rule 2B.06(1) of the Listing Rules, and the review hearing has been scheduled.

Should the Listing Committee of the Stock Exchange uphold the Decision after the review, the trading in the Shares may be suspended under rule 6.01(3) of the Listing Rules.

Details of the Decision were set out in the announcements of the Company dated 22 January 2021 and 2 February 2021, respectively.

Event after the Reporting Date

Save as disclosed in this report, no material events happened subsequent to the Year and up to the date of this report.

Auditor

KPMG will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the AGM.

On behalf of the Board

JIANG Tian

Chairman of the Board

Hong Kong, 26 March 2021



Independent auditor's report

to the members of Sky Chinafortune Holdings Group Limited ("the Company")

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") set out on pages 62 to 134, which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Please refer to note 12 to the consolidated financial statements and the accounting policies in note 2(e).

The Key Audit Matter

The Group's investment properties comprise shops, residential apartments and car parking lots located in the People's Republic of China.

Investment properties are stated in the consolidated statement of financial position at their fair value which totaled HK\$607 million as at 31 December 2020 and represented 79% of the Group's total assets as at that date. A revaluation gain of HK\$1.0 million was recorded in the consolidated statement of profit or loss which accounted for 461% of the Group's profit before taxation from continuing operations for the year ended 31 December 2020.

The fair value of the investment properties was assessed by the management based on valuations prepared by an independent firm of professional surveyors, which required the exercise of significant judgement and estimation, particularly in relation to determining market yields.

We identified valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's consolidated financial statements and because the valuation of investment properties is inherently subjective and requires the exercise of significant judgement and estimation which increases the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included the following:

- evaluating the independence, competence, capabilities and objectivity of the surveyors which included assessing the professional surveyors' qualifications and experience and making inquiries regarding interests and relationships that may have created a threat to the surveyors' objectivity;
- obtaining and inspecting the valuation report prepared by the professional surveyors engaged by the Group and on which the management's assessment of the fair value of the investment properties was based;
- discussing with professional surveyors their approach to the valuations and their findings and assessing whether there were any limitations of scope or restrictions placed upon their work;
- assessing the valuation methodologies adopted by the professional surveyors with reference to applicable and recognised industry standards; and
- comparing key inputs to the valuations including monthly rents, market yields and available space by comparison with market available information and/or lease contracts and related underlying documentation on a sample basis.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.

Responsibilities of the directors 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 assisted by the audit committee of the Company (the "Audit Committee") in discharging their responsibilities for overseeing the Group's financial reporting process.

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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

From the matters communicated with the Audit Committee, we determine the 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 the 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.

The engagement partner on the audit resulting in this independent auditor's report is Yu Wai Sum.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

26 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK\$'000	2019 HK\$'000
Continuing operations			
Revenue	4	44,863	24,044
Cost of sales		(19,893)	(2,173)
Gross profit		24,970	21,871
Other income	6	1,617	1,640
Administrative expenses		(23,891)	(24,115)
Selling and distribution expenses		(2,927)	—
Net valuation gain on investment properties	12	954	10,621
Profit from operations		723	10,017
Finance costs	7(a)	(516)	(85)
Profit before taxation	7	207	9,932
Income tax	8	(3,797)	(5,395)
(Loss)/profit for the year from continuing operations		(3,590)	4,537
Discontinued operation			
Loss for the year from discontinued operation, net of tax	10	—	(9,707)
Loss for the year		(3,590)	(5,170)
Loss attributable to			
— Equity shareholders of the Company		(3,527)	(5,170)
— Non-controlling interests		(63)	—
Loss for the year		(3,590)	(5,170)
Loss per share (for continuing and discontinued operations)			
— Basic and diluted (HK cents)	11	(1.02)	(1.50)
(Loss)/earnings per share (for continuing operations)			
— Basic and diluted (HK cents)	11	(1.02)	1.31

The notes on page 70 to 134 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	2020 HK\$'000	2019 HK\$'000
Loss for the year	(3,590)	(5,170)
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference arising from translation of financial statements of operations in foreign jurisdictions	37,268	(10,628)
Other comprehensive income for the year	37,268	(10,628)
Total comprehensive income for the year	33,678	(15,798)
Attributable to:		
— Equity shareholders of the Company	33,739	(15,798)
— Non-controlling interests	(61)	—
Total comprehensive income for the year	33,678	(15,798)

The notes on page 70 to 134 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

(Expressed in Hong Kong dollars)

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties	12	606,764	571,095
Property, plant and equipment	13(a)	9,652	2,577
Right-of-use assets	13(b)	24,883	4,990
Intangible assets	14	1,677	—
Trademarks	15	134	152
Trade and other receivables, prepayments and deposits	18	13,495	9,584
		656,605	588,398
Current assets			
Properties held for sale	16	1,269	1,189
Inventories	17	3,905	—
Trade and other receivables, prepayments and deposits	18	4,891	6,756
Tax recoverable		10	92
Short-term bank deposits	19(a)	69,476	56,616
Bank balances and cash	19(b)	28,554	46,389
		108,105	111,042
Current liabilities			
Trade and other payables and accrued expenses	20	26,001	23,979
Rental deposits received		113	134
Lease liabilities	21	4,108	2,234
Tax payable		18	—
		30,240	26,347
Net current assets		77,865	84,695
Total assets less current liabilities		734,470	673,093

Consolidated Statement of Financial Position

As at 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Rental deposits received		4,666	4,210
Lease liabilities	21	20,972	2,790
Deferred tax liabilities	22	88,446	80,279
		114,084	87,279
NET ASSETS			
		620,386	585,814
CAPITAL AND RESERVES			
	23		
Share capital		193,246	193,246
Reserves		426,307	392,568
Total equity attributable to equity shareholders of the Company		619,553	585,814
Non-controlling interests		833	—
TOTAL EQUITY		620,386	585,814

Approved and authorised for issue by the board of directors on 26 March 2021 and signed on its behalf by:

HOU Yingxuan
Director

JIANG Jiabao
Director

The notes on page 70 to 134 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Share capital HK\$'000 23(a)	Exchange reserve HK\$'000 23(c)(i)	Statutory reserve HK\$'000 23(c)(ii)	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2019	193,246	70,215	133	338,018	601,612
Loss for the year	—	—	—	(5,170)	(5,170)
Other comprehensive income for the year					
— Exchange difference arising from translation of financial statements of operations in foreign jurisdictions	—	(10,628)	—	—	(10,628)
Total comprehensive income for the year	—	(10,628)	—	(5,170)	(15,798)
At 31 December 2019	193,246	59,587	133	332,848	585,814

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Share capital HK\$'000 23(a)	Exchange reserve HK\$'000 23(c)(i)	Statutory reserve HK\$'000 23(c)(ii)	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	193,246	59,587	133	332,848	585,814	—	585,814
Loss for the year	—	—	—	(3,527)	(3,527)	(63)	(3,590)
Other comprehensive income for the year							
— Exchange difference arising from translation of financial statements of operations in foreign jurisdictions	—	37,266	—	—	37,266	2	37,268
Total comprehensive income for the year	—	37,266	—	(3,527)	33,739	(61)	33,678
Transfer from retained profits	—	—	19	(19)	—	—	—
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	894	894
At 31 December 2020	193,246	96,853	152	329,302	619,553	833	620,386

The notes on page 70 to 134 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK\$'000	2019 HK\$'000
Operating activities			
Profit/(loss) before taxation			
— continuing operations		207	9,932
— discontinued operation		—	(9,707)
Adjustments for:			
Amortisation of trademarks	7(c) & 15	20	17
Amortisation of intangible assets	7(c) & 14	41	—
Depreciation of property, plant and equipment	7(c) & 13(a)	1,139	1,021
Depreciation of right-of-use assets	7(c) & 13(b)	3,509	2,449
Net valuation gain on investment properties	12	(954)	(10,621)
Loss on disposal of property, plant and equipment	13(a)	—	7,722
Write-off of other receivables	10(a)	—	262
Gain from early termination of a lease	13(b)	—	(2,159)
Bank interest income	6	(1,177)	(1,642)
COVID-19-related rent concession	13(b) & 19(c)	(56)	—
	7(a), 13(b) &		
Finance cost	19(c)	516	445
Operating cash flows before movements in working capital		3,245	(2,281)
Increase in inventories		(3,687)	—
Increase in trade and other receivables, prepayments and deposits		(803)	(5,985)
Increase/(decrease) in other payables and accrued expenses		329	(1,349)
Increase in rental deposits received		133	118
Cash used in operations		(783)	(9,497)
Profits tax refunded		93	269
Tax paid in foreign jurisdictions		(1,206)	(1,632)
Net cash used in operating activities		(1,896)	(10,860)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK\$'000	2019 HK\$'000
Investing activities			
Bank interest received		1,201	1,603
Payment for purchase of investment properties		—	(22,850)
Payment for purchase of property, plant and equipment	13	(3,921)	(1,985)
Payment for registration of trademarks	15	—	(62)
Payment for purchase of intangible assets		(1,157)	—
Net cash used in investing activities		(3,877)	(23,294)
Financing activities			
Capital contribution from non-controlling interests of a subsidiary		894	—
Capital elements of lease rental paid	19(c)	(3,302)	(2,383)
Interest elements of lease rental paid	19(c)	(516)	(91)
Net cash used in financing activities		(2,924)	(2,474)
Net decrease in cash and cash equivalents		(8,697)	(36,628)
Cash and cash equivalents at 1 January		103,005	140,760
Effect of foreign exchange rate changes		3,722	(1,127)
Cash and cash equivalents at 31 December	19	98,030	103,005
Analysis of balances of cash and cash equivalents			
Bank balances and cash	19(b)	28,554	46,389
Short-term bank deposits with original maturity within three months	19(a)	69,476	56,616
		98,030	103,005

The notes on page 70 to 134 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

Sky Chinafortune Holdings Group Limited (the “Company”) is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company is Room 1512, 15/F, New World Tower 1, 16–18 Queen’s Road Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activity of its subsidiaries are (i) investment property business; (ii) trading of properties; (iii) property related services business; and (iv) retail business, in the People’s Republic of China (the “PRC”). The Company and its subsidiaries are collectively referred to as the “Group”.

The functional currency of the Company is Hong Kong dollars (“HK\$”) and the functional currency of its operations in the PRC is Renminbi (“RMB”).

2 Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective terms includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the “Companies Ordinance”). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of those developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the investment properties stated at their fair value as explained in the accounting policies set out in note 2(e).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Accounting policies of the financial statements

(i) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies *(Continued)*

(c) Accounting policies of the financial statements *(Continued)*

(i) *Changes in accounting policies (Continued)*

Amendments to HKFRS 3, Definition of a Business

The amendments to HKFRS 3 clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related Rent Concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related Rent Concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 13(b)). There is no impact on the opening balance of equity at 1 January 2020.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies *(Continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed by any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity shareholders of the Company.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(i).

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold land and building	over the shorter of the term of the lease or 35 years
— Leasehold improvements	over the shorter of the term of the lease or 5 years
— Motor vehicles	4 years
— Furniture, fixtures and office equipment	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Construction in progress represents the direct cost of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for the intended use.

(g) Trademarks

Trademarks registered by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)).

Amortisation of trademarks is charged to profit or loss on a straight-line basis over the estimated useful lives of 7 to 10 years.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Computer software	5–10 years
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Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group accounts for each lease component within the contract as a lease separately from any non-lease components of the contract.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies *(Continued)*

(i) Leased assets *(Continued)*

(i) As a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(j)) except for the right-of-use assets that meet the definition of investment properties are carried at fair value in accordance with note 2(e).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(i) Leased assets (Continued)

(i) As a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case, lease liability is remeasured based on the revised lease payments and lease term using the revised discount rate at the effective date of modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set up in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognise the change in consideration as if it were not a lease modification.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(r)(i).

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables and lease receivable).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- lease receivables: discount rate used in measurement of lease receivables; or
- fixed-rate financial assets and trade and other receivables (see note 2(l)): effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis 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.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Write-off policy

The gross carrying amount of a financial asset and lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (see note 2(f));
- right-of-use assets (see note 2(i)(i));
- intangible assets (see note 2(h));
- trademarks (see note 2(g)); and
- investments in subsidiaries in the Company's statement of financial position (see note 2(d)).

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(k) Inventories and properties held for sale

(i) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(ii) Properties held for sale

Properties held for sale, which represent unsold completed properties, are stated at the lower of cost and net realisable value. The cost of properties comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less costs to be incurred in selling the inventories and property.

When inventories are sold, the carrying amount of those inventories is recognised as an expenses in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

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

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies *(Continued)*

(p) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(p) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to realise the assets and settle the liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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, whose existence 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Revenue from rental income excludes value added tax.

(ii) Sale of goods — retail

Revenue from sales of goods is recognised when control of the products has transferred, which generally coincides with the time when the customers take possession of and accept the products. Revenue represented the sales value of goods sold less value added tax.

(iii) Property related services income

Revenue from rendering of property related services is recognised in the accounting period in which the related services are rendered.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method (see note 2(j)) using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to gross carrying amount of the financial asset.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies *(Continued)*

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in the statement of financial position are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve (see note 23(c)(i)).

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Discontinued operation

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 part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view for 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
- the 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(s) constituting the discontinued operation.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

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

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

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

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies *(Continued)*

(v) Segment reporting

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

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

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties

As described in note 12, investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions, the rental income and term yields and reversionary income potential.

In determining the fair value of investment properties, the surveyors have based on a method of valuation which involves, inter alia, certain estimates including current prices in an active market for similar properties in the same location and condition and appropriate term yields and reversionary income potential. In relying on the valuation report, management has exercised their judgement and are satisfied that the valuation is reflective of the current market conditions as at the end of each reporting period.

(b) Estimates of current and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. The Group recognised income tax and other taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Revenue

An analysis of the Group's revenue is as follows:

From continuing operations	2020 HK\$'000	2019 HK\$'000
Rental revenue		
Shops	21,640	21,175
Residential	2,419	2,350
Car parking spaces	501	519
	24,560	24,044
Revenue from contracts with customers within the scope of HKFRS 15		
Retail sales	18,301	—
Property related services	2,002	—
	44,863	24,044

For the year ended 31 December 2020, revenue from one (2019: two) customer(s) of the Group's property investment in the PRC segment amounted to HK\$14,338,000 (2019: HK\$14,153,000 and HK\$3,450,000), which exceeded 10% of the Group's revenue.

The Group leases its properties and at the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receivable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	27,482	23,680
In the second to fifth year inclusive	103,052	98,866
Over five years	29,313	43,277
	159,847	165,823

Typically leases are negotiated for an average term ranging from one to ten (2019: one to ten) years with fixed rentals over the terms of the leases. Certain leases are negotiated with escalating rentals over the terms of the leases.

Revenue from retail sales is recognised at a point in time when our customers take possession of the goods. Revenue from property related services is recognised over time when the related services are rendered. The remaining performance obligation is part of a contract that has an original expected duration of one year or less, therefore, such information is not disclosed as a practical expedient in paragraph 121 of HKFRS 15.

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information

Information reported to the executive directors of the Company, being the chief operating decision-maker, for the purpose of resource allocation and assessment of segment performance focuses on the operating divisions of the Group.

The executive directors have identified the following reportable segments for the Group's operating segments. These segments are managed separately as each business offers different products and services and requires different business strategies.

Continuing operations

- (1) Property investment — leasing of properties situated in the PRC
- (2) Trading of properties and property related services — sale of properties situated in the PRC including the short-term leasing of properties held for sales and the provision of property related services in the PRC
- (3) Retail business — sale of Chinese liquor and wine, and everyday items in the PRC

Discontinued operation

- (1) Automobile business — sale of cars and the provision of tertiary services in the PRC

The Group ceased the operation of automobile business segment during the year ended 31 December 2019. The deregistration of entities within this segment was completed in the first half of 2020. The result of the automobile business segment from 1 January 2019 to 31 December 2019 was classified as a discontinued operation accordingly. The consolidated results of the discontinued operation for the period from 1 January 2019 to 31 December 2019 have been presented as a discontinued operation in consolidated statement of profit or loss and corresponding notes separately from continuing operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies. There were no inter-segment sales between different operating segments for the years ended 31 December 2020 and 2019. Segment revenue represents revenue from external customers. Segment profit or loss after tax represents net profit earned or loss incurred by each reportable segment without allocation of income and expenses of the Group's headquarters, corporate income and expenses and unallocated income tax expense.

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information (Continued)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than the Group headquarters' corporate assets; and
- all liabilities are allocated to reportable segments other than the Group headquarters' corporate liabilities.

Information regarding the above segments is reported below:

Segment revenue and results

	Continuing operations				Total HK\$'000
	Property investment HK\$'000	Trading of properties and property related services HK\$'000	Retail business HK\$'000		
For the year ended 31 December 2020					
Reportable segment revenue	24,462	2,100	18,301		44,863
Reportable segment profit/(loss) after tax	16,416	287	(6,173)		10,530
Net corporate expenses					(14,052)
Unallocated finance cost					(68)
Loss for the year					(3,590)
	Property investment HK\$'000	Continuing operations Trading of properties HK\$'000	Retail business HK\$'000	Total HK\$'000	Discontinued operation Automobile business HK\$'000
For the year ended 31 December 2019					
Reportable segment revenue	23,753	291	—	24,044	—
Reportable segment profit/(loss) after tax	21,583	242	(1,627)	20,198	(9,707)
Net corporate expenses				(15,518)	—
Unallocated finance cost				(72)	—
Unallocated income tax expense				(71)	—
Profit/(loss) for the year				4,537	(9,707)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information (Continued)

Segment assets and liabilities

	Continuing operations			
	Property investment HK\$'000	Trading of properties and property related services HK\$'000	Retail business HK\$'000	Total HK\$'000
At 31 December 2020				
Reportable segment assets	635,333	1,713	42,409	679,455
Unallocated corporate assets				85,255
Consolidated total assets				764,710
Reportable segment liabilities	98,464	16,823	25,358	140,645
Unallocated corporate liabilities				3,679
Consolidated total liabilities				144,324

	Continuing operations				Discontinued operation	Total HK\$'000
	Property investment HK\$'000	Trading of properties HK\$'000	Retail business HK\$'000	Sub-total HK\$'000	Automobile business	
					HK\$'000	
At 31 December 2019						
Reportable segment assets	589,393	1,195	7,963	598,551	1,346	599,897
Unallocated corporate assets				99,543	—	99,543
Consolidated total assets				698,094	1,346	699,440
Reportable segment liabilities	90,045	15,344	3,409	108,798	—	108,798
Unallocated corporate liabilities				4,828	—	4,828
Consolidated total liabilities				113,626	—	113,626

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information (Continued)

Segment assets and liabilities (Continued)

Unallocated corporate assets mainly comprised of property, plant and equipment which are used by the Group's headquarters, certain bank balances and cash and short-term bank deposits which are held as the general working capital of the Group as a whole and other corporate assets of the Group's headquarters which are not directly attributable to the business activities of any operating segment.

Unallocated corporate liabilities mainly comprised of other payables and accrued expenses of the Group as a whole and other corporate liabilities of the Group's headquarters which are not directly attributable to the business activities of any operating segment.

Other segment information

	Continuing operations				Total HK\$'000
	Property investment HK\$'000	Trading of properties and property related services HK\$'000	Retail business HK\$'000	Corporate/ Unallocated HK\$'000	
For the year ended					
31 December 2020					
Additions to property, plant and equipment (note 13(a))	—	14	3,252	655	3,921
Additions to intangible assets (notes 7(c) & 14)	—	—	1,625	—	1,625
Amortisation of intangible assets (notes 7(c) & 14)	—	—	41	—	41
Amortisation of trademarks (notes 7(c) & 15)	—	—	—	20	20
Depreciation of property, plant and equipment (notes 7(c) & 13(a))	98	2	53	986	1,139
Depreciation of right-of-use assets (notes 7(c) & 13(b))	—	—	1,692	1,817	3,509
Net valuation gain on investment properties (note 12)	(954)	—	—	—	(954)
Net exchange loss	1	—	—	510	511
Bank interest income (note 6)	(76)	(1)	(15)	(1,085)	(1,177)
Income tax expense (note 8)	3,762	32	3	—	3,797

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information (Continued)

Other segment information (Continued)

	Continuing operations				Total HK\$'000	Discontinued operation
	Property investment	Trading of properties	Retail business	Corporate/ Unallocated		Automobile business
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000
For the year ended						
31 December 2019						
Additions to property, plant and equipment (note 13(a))	55	—	90	1,445	1,590	395
Additions to investment properties	22,850	—	—	—	22,850	—
Additions to trademarks (note 15)	—	—	—	62	62	—
Amortisation of trademarks (notes 7(c) & 15)	—	—	—	17	17	—
Depreciation of property, plant and equipment (notes 7(c) & 13(a))	173	—	3	839	1,015	6
Depreciation of right-of-use asset (note 13(b))	—	—	52	1,409	1,461	988
Gain from early termination of a lease (notes 10(a) & 13(b))	—	—	—	—	—	(2,159)
Loss on disposal of property, plant and equipment (note 10(a))	—	—	—	—	—	7,722
Write-off of other receivables (note 10(a))	—	—	—	—	—	262
Net valuation gain on investment properties (note 12)	(10,621)	—	—	—	(10,621)	—
Net exchange loss	—	—	—	237	237	—
Bank interest income (note 6)	(49)	—	—	(1,582)	(1,631)	(11)
Income tax expense/(credit) (note 8)	5,409	(87)	2	71	5,395	—

Geographical information

As the Group does not have material operations outside the PRC, no geographic segment information is presented.

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Other income

From continuing operations

	2020 HK\$'000	2019 HK\$'000
Bank interest income (<i>note 5</i>)	1,177	1,631
Government subsidies	378	—
Sundry	62	9
	1,617	1,640

7 Profit before taxation

From continuing operations

Profit before taxation is arrived at after charging/(crediting):

	2020 HK\$'000	2019 HK\$'000
(a) Finance costs		
Interest on lease liabilities (<i>notes 13(b) & 19(c)</i>)	516	85

	2020 HK\$'000	2019 HK\$'000
(b) Staff costs		
Salaries, wages and other benefits (including directors' emoluments)	14,011	11,871
Contributions to defined contribution retirement plans (<i>note</i>)	929	928
	14,940	12,799

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Profit before taxation (Continued)

From continuing operations (Continued)

Note:

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) in December 2000 in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

For members of the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK\$1,500 (2019: HK\$1,500) per month, whichever is the smaller to the MPF Scheme. Contributions to the plan vest immediately. No forfeited contribution is available to reduce the contribution payable for the years ended 31 December 2020 and 2019.

The employees of the subsidiaries of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

For continuing operations, the total cost charged to profit or loss of HK\$929,000 (2019: HK\$928,000) represents contributions paid/payable to the above retirement benefit schemes, by the Group during the year.

	2020 HK\$'000	2019 HK\$'000
(c) Other items		
Auditor's remuneration	1,450	1,450
Amortisation of trademarks (notes 5 & 15)	20	17
Amortisation of intangible assets (notes 5 & 14)	41	—
Depreciation		
— Owned property, plant and equipment (notes 5 & 13(a))	1,139	1,015
— Right-of-use assets (notes 5 & 13(b))	3,509	1,461
Cost of inventories recognised as expenses included in cost of sales (note 17)	16,429	—
Short-term leases charges (note 13(b))	738	960
Net exchange loss	511	237
Gross rental income	(24,560)	(24,044)
Less: direct operating expenses	2,090	2,173
Net rental income	(22,470)	(21,871)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Income tax

(a) Income tax represents:

From continuing operations

	2020 HK\$'000	2019 HK\$'000
Current tax — PRC Enterprise Income Tax	1,213	1,330
Deferred tax (<i>note 22</i>)	2,584	4,065
Income tax expense (<i>note 5</i>)	3,797	5,395

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Accordingly, the provision for Hong Kong Profits Tax for the years ended 31 December 2020 and 2019 is calculated in accordance with the two-tiered profits tax rate regime. No provision was made for Hong Kong Profits Tax as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2020 and 2019.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC subsidiaries are subject to Enterprise Income Tax of tax rate of 25%.

Enterprise Income Tax arising from certain Hong Kong subsidiaries' operations in the PRC is calculated at tax rate of 10% (2019: 10%) on the rental income earned by these Hong Kong subsidiaries for the year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Income tax (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

From continuing operations

	2020 HK\$'000	2019 HK\$'000
Profit before taxation	207	9,932
Tax on profit before taxation, calculated at tax rate of 16.5%	34	1,639
Effect of different tax rates of operations in foreign jurisdictions	496	526
Tax effect of non-deductible expenses	3,174	3,118
Tax effect of non-taxable income	(508)	(456)
Tax effect of tax losses not recognised	859	568
Tax effect of the utilisation of tax losses previously not recognised	(123)	—
Tax effect of other temporary difference not recognised	(135)	—
Income tax expense	3,797	5,395

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Directors' emoluments and individuals with highest emoluments

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622 of the Laws of Hong Kong) are as follows:

For the year ended 31 December 2020

From continuing operations	Retirement				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	benefit scheme contributions HK\$'000	Discretionary bonus HK\$'000	
<i>Chairman and executive director</i>					
Mr. JIANG Tian (iii)	—	136	59	—	195
<i>Executive directors</i>					
Ms. HOU Yingxuan	280	1,185	18	330	1,813
Mr. GONG Biao	280	944	59	—	1,283
Ms. JIANG Jiabao (i)	277	397	56	—	730
<i>Non-executive director</i>					
Mr. CHAI Yuet	280	15	—	—	295
<i>Independent non-executive directors</i>					
Mr. HU Jianxing	280	15	—	—	295
Mr. TSEUNG Yuk Hei Kenneth	280	15	—	—	295
Mr. JI Qing	280	15	—	—	295
	1,957	2,722	192	330	5,201

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Directors' emoluments and individuals with highest emoluments (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2019

From both continuing operations and discontinued operation	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Discretionary bonus HK\$'000	Total HK\$'000
<i>Chairman and executive director</i>					
Mr. JIANG Tian (iii)	280	2,051	115	—	2,446
<i>Executive directors</i>					
Ms. HOU Yingxuan	280	1,185	18	330	1,813
Mr. GONG Biao	280	996	115	—	1,391
Mr. GAO Keqin (ii)	230	501	96	—	827
<i>Non-executive director</i>					
Mr. CHAI Yuet	280	15	—	—	295
<i>Independent non-executive directors</i>					
Mr. HU Jianxing	280	15	—	—	295
Mr. TSEUNG Yuk Hei Kenneth	280	15	—	—	295
Mr. JI Qing	280	15	—	—	295
	2,190	4,793	344	330	7,657

Notes:

- (i) The director was appointed on 6 January 2020.
- (ii) The director was resigned on 1 November 2019.
- (iii) The director waived the emoluments of HK\$2,189,000 during the year ended 31 December 2020 (2019: Nil).
- (iv) The discretionary performance bonus is determined having regard to the performance of individuals.

*(Expressed in Hong Kong dollars unless otherwise indicated)***9 Directors' emoluments and individuals with highest emoluments** *(Continued)***(b) Individuals with highest emoluments**

Of the five individuals with the highest emoluments in the Group, three (2019: four) are directors of the Company whose emoluments are included in the disclosure in note (a) above. The emoluments of the remaining two (2019: one) highest paid individual is as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	1,521	871
Discretionary bonus	—	67
Retirement benefits costs — defined contribution plans	36	18
	1,557	956

The emoluments were within the following band:

	Number of individual	
	2020	2019
Nil to \$1,000,000	2	1

Note:

No emolument was paid or payable by the Group to any of the directors or the highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office during the year ended 31 December 2020 (2019: Nil).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Discontinued operation

The retail market for automobiles in the PRC has been seriously affected by the reduction of government subsidies for new energy vehicles and the trade conflict between the China and U.S., the Group ceased the operation in automobile business segment in 2019. The deregistration of entities comprising this segment was applied to the relevant PRC authorities in 2019 and it was completed in the first half of 2020. The consolidated results of the discontinued operation for the period from 1 January 2019 to 31 December 2019 have been presented as discontinued operation in the consolidated financial statements in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* separately from continuing operations.

(a) Results of discontinued operation:

	2020 HK\$'000	2019 HK\$'000
Revenue	—	—
Cost of sales	—	—
Gross profit	—	—
Other income	—	2,170
Administrative expenses	—	(11,517)
Loss from operations	—	(9,347)
Finance costs	—	(360)
Loss before taxation	—	(9,707)
Income tax	—	—
Loss for the year from discontinued operation	—	(9,707)
Basic and diluted loss per share (HK cents)	—	(2.81)

Due to the cessation of the automobile business segment, the Group made full provision and wrote off property, plant and equipment and other receivables of HK\$7,722,000 and HK\$262,000 (see note 5), respectively, of the automobile business segment that are not expected to be recoverable.

*(Expressed in Hong Kong dollars unless otherwise indicated)***10 Discontinued operation** *(Continued)***(a) Results of discontinued operation:** *(Continued)*

In 2019, the Group exercised the early termination option of a lease agreement for the automobile segment. Gain of HK\$2,159,000 (see note 5) on reversal of lease liabilities of HK\$13,682,000 (see note 19(c)) in excess of the carrying value of right-of-use asset of HK\$11,523,000 was recognised in the profit or loss because of the early termination.

The calculation of basic loss per share from discontinued operation of HK2.81 cents, is based on the loss for the year from discontinued operation attributable to the equity shareholders of the Company of HK\$9,707,000 and the weighted average number of ordinary shares for basic loss per share as disclosed in note 11.

(b) Cash flows generated from discontinued operation:

	2020 HK\$'000	2019 HK\$'000
Net cash used in operating activities	—	(3,914)
Net cash used in investing activities	—	(384)
Net cash used in financing activities	—	(963)
Net cash flows used in discontinued operation for the year	—	(5,261)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the following (loss)/profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

	2020		2020	2019		2019
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the year attributable to equity shareholders of the Company	(3,527)	—	(3,527)	4,537	(9,707)	(5,170)

	Number of shares	
	2020	2019
Weighted average number of ordinary shares in issue during the year	345,374,910	345,374,910

For the years ended 31 December 2020 and 2019, basic and diluted (loss)/earnings per share are equal as there were no potential dilutive ordinary shares in issue.

12 Investment properties

	2020	2019
	HK\$'000	HK\$'000
Fair value		
At 1 January	571,095	544,491
Exchange realignment	38,474	(12,073)
Addition	—	22,850
Transfer from properties held for sale to investment properties	—	5,206
Transfer from investment properties to property, plant and equipment (note 13)	(3,759)	—
Changes in fair value of:		
— upon transfer from properties held for sale to investment properties (note 5)	—	14,328
— Investment properties held by the Group (note 5)	954	(3,707)
At 31 December	606,764	571,095

The Group's investment properties are measured using the fair value model and are leased to third parties under operating leases to earn rental income.

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Investment properties (Continued)

In April 2019, the Group acquired 11 contiguous double-deck shop units in Anshan City of HK\$22,850,000 from Liaoning Jijia Property Development Co., Limited (遼寧集佳房屋開發有限公司) (“Liaoning Jijia”) and classified these properties as investment properties. The mother of Mr. Jiang Tian (“Mr. Jiang”) (the chairman, the executive director and the controlling shareholder of the Company) is a supervisor of Liaoning Jijia. Liaoning Jijia is indirectly held by two individuals, Mr. Lu (呂林橋) and Ms. Du (杜巧玲). Mr. Lu is the grandson of Mr. Jiang’s great-grandfather’s brother and Ms. Du is the cousin of Mr. Jiang’s mother. Despite the above disclosed relationship, the management of the Company considers that Liaoning Jijia is an independent third party.

(a) The analysis of carrying amount of Group’s investment properties is as follows:

	2020 HK\$’000	2019 HK\$’000
Properties situated outside Hong Kong under:		
— Medium-term lease	606,764	571,095

(b) Fair value measurement of investment properties**Fair value hierarchy**

The fair value of the Group’s investment properties is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

As at 31 December 2020 and 2019, as certain of significant inputs used in the determination of fair value of investment properties are derivative from unobservable market data, the fair value measurement of all investment properties of the Group fall into in level 3 of the fair value hierarchy.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Investment properties (Continued)

(b) Fair value measurement of investment properties (Continued)

Fair value hierarchy (Continued)

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation process

The Group's investment properties were revalued as at 31 December 2020 and 2019 by Asset Appraisal Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with experience in the PRC and category of property being valued.

The Group's management has reviewed the valuation results performed by the surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation.

Valuation methodologies

The valuations of investment properties were based on the income capitalisation approach which capitalised the net income of the properties and took into account the reversionary income potential of the properties after expiry of the current lease.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable:

As at 31 December 2020

Properties	Location	Valuation technique	Fair value hierarchy	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Apartment, shops and car park spaces	Anshan, Shanghai and Hainan the PRC	Income capitalisation approach	Level 3	Term yield	3.00% to 6.00%	The higher the term yield, the lower the fair value
				Reversionary yield	3.00% to 6.00%	The higher the reversionary yield, the lower the fair value
				Reversionary market price (RMB)	Apartment: 10,000-55,000 per sqm Shops: 8,000-48,000 per sqm Car park spaces: 400,000 per unit	The higher the reversionary market price, the higher the fair value

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Investment properties (Continued)

(b) Fair value measurement of investment properties (Continued)

Valuation methodologies (Continued)

As at 31 December 2019

Properties	Location	Valuation technique	Fair value hierarchy	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Apartment, shops and car park spaces	Anshan, Shanghai and Hainan the PRC	Income capitalisation approach	Level 3	Term yield	3.00% to 5.00%	The higher the term yield, the lower the fair value
				Reversionary yield	3.00% to 5.00%	The higher the reversionary yield, the lower the fair value
				Reversionary market price (RMB)	Apartment: 9,500-49,000 per sqm Shops: 8,000-52,000 per sqm Car park spaces: 380,000 per unit	The higher the reversionary market price, the higher the fair value

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

As at 31 December 2020 and 2019, no investment properties are pledged.

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(Expressed in Hong Kong dollars unless otherwise indicated)

13 Property, plant and equipment and right-of-use assets

(a) Property, plant and equipment

	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and office equipment HK\$'000	Construction in progress HK\$'000	Ownership interests in land and buildings held for own use HK\$'000	Total HK\$'000
Cost:						
At 1 January 2019	1,173	1,470	1,505	7,334	—	11,482
Exchange realignment	—	(24)	(25)	(25)	—	(74)
Additions (note 5)	—	1,442	148	395	—	1,985
Disposal	—	—	(26)	(7,704)	—	(7,730)
At 31 December 2019	1,173	2,888	1,602	—	—	5,663
At 1 January 2020	1,173	2,888	1,602	—	—	5,663
Exchange realignment	83	96	185	45	222	631
Transfer from investment properties (note 12)	—	—	—	—	3,759	3,759
Additions (note 5)	1,413	—	1,745	763	—	3,921
Disposal	—	—	—	—	—	—
At 31 December 2020	2,669	2,984	3,532	808	3,981	13,974
Accumulated depreciation:						
At 1 January 2019	596	652	844	—	—	2,092
Exchange realignment	—	(3)	(16)	—	—	(19)
Charge for the year (notes 5 and 7(c))	224	539	258	—	—	1,021
Disposal	—	—	(8)	—	—	(8)
At 31 December 2019	820	1,188	1,078	—	—	3,086
At 1 January 2020	820	1,188	1,078	—	—	3,086
Exchange realignment	3	30	63	—	1	97
Charge for the year (notes 5 and 7(c))	281	610	221	—	27	1,139
Disposal	—	—	—	—	—	—
At 31 December 2020	1,104	1,828	1,362	—	28	4,322
Net book value:						
At 31 December 2020	1,565	1,156	2,170	808	3,953	9,652
At 31 December 2019	353	1,700	524	—	—	2,577

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Property, plant and equipment and right-of-use assets (Continued)**(b) Right-of-use assets**

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2020 HK\$'000	2019 HK\$'000
Properties leased for own use, carried at the depreciated cost	24,883	4,990

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 HK\$'000	2019 Continuing operations HK\$'000	2019 Discontinued operation HK\$'000	2019 Total HK\$'000
Gain from early termination of a lease (note 5)	—	—	(2,159)	(2,159)
Depreciation charge for right-of-use assets (note 5)	3,509	1,461	988	2,449
Interest on lease liabilities (notes 7 & 19(c))	516	85	360	445
Expenses relating to short-term leases in respects of land and building (note 7)	738	960	—	960
Expenses relating to leases of low-value assets	18	20	—	20
COVID-19-related rent concessions received (note 19(c))	(56)	—	—	—

During the year, additions to right-of-use assets were HK\$22,005,000 (2019: HK\$6,451,000) (note 19(c)). This amount is directly related to the capitalised lease payments payable under new tenancy agreements.

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Property, plant and equipment and right-of-use assets *(Continued)*

(b) Right-of-use assets *(Continued)*

In 2019, due to the change in economic environment, the Group exercised the early termination option of a lease agreement for the automobile segment. Gain from reversal of lease liabilities in excess of the carrying value of the right-of-use assets of HK\$2,159,000 was recognised in the profit or loss because of the early termination of lease.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(c) and 21 respectively.

As disclosed in note 2(c), the Group has early adopted the Amendment to HKFRS 16, Leases, COVID-19-Related Rent Concessions, and applies the practical expedient introduced by the Amendments to all eligible rent concessions received by the Group during the period. During 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measured introduced to contain the spread of COVID-19.

The Group has obtained the right to use the leased properties as its offices, warehouse and retail stores through tenancy agreements. The leases typically run for an initial period of 1 to 10 years. Lease payments are usually increased every one to two years to reflect the market rentals.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INTANGIBLE ASSETS

	Computer software
	HK\$'000
Cost:	
At 1 January 2020	—
Exchange realignment	96
Additions (<i>note 5</i>)	1,625
Disposal	—
At 31 December 2020	1,721
Accumulated depreciation:	
At 1 January 2020	—
Exchange realignment	3
Charge for the year (<i>notes 5 and 7(c)</i>)	41
Disposal	—
At 31 December 2020	44
Net book value:	
At 31 December 2020	1,677

The amortisation charge of intangible assets for the year is included in administrative expenses in the consolidated statement of profit or loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Trademarks

	2020 HK\$'000	2019 HK\$'000
Cost:		
At 1 January	187	126
Addition (note 5)	—	62
Exchange realignment	3	(1)
At 31 December	190	187
Accumulated amortisation:		
At 1 January	35	18
Charge for the year (notes 5 & 7(c))	20	17
Exchange realignment	1	—
At 31 December	56	35
At 31 December (note 31)	134	152

The amortisation charge for the year is included in administrative expenses in the consolidated statement of profit or loss.

16 Properties held for sale

	2020 HK\$'000	2019 HK\$'000
Properties held for sale		
— prepaid lease payments for land	418	392
— buildings	851	797
	1,269	1,189

The carrying amounts of prepaid lease payments for land of HK\$418,000 (2019: HK\$392,000) included in properties held for sale represent interest in land held by the Group under medium-term lease.

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Inventories

	2020 HK\$'000	2019 HK\$'000
Retail business		
— Merchandise	3,905	—

The cost of inventories recognised as expense is included in "cost of sales" amounted to approximately HK\$16,429,000 (2019: nil) (note 7(c)).

18 Trade and other receivables, prepayments and deposits

	2020 HK\$'000	2019 HK\$'000
Trade and lease receivables, net (note (a))	1,387	2,305
Accrued lease receivables (note (b))	12,617	8,134
Prepayments, deposits and other receivables, net (note (b))	4,382	5,901
Carrying amount at 31 December	18,386	16,340
Less: Current portion	(4,891)	(6,756)
Non-current portion	13,495	9,584

Apart from the balance of non-current portion expected to be recovered or recognised as expense after more than one year, all other trade and other receivables, prepayments and deposits are expected to be recovered or recognised as expense within one year.

(a) Trade and lease receivables

	2020 HK\$'000	2019 HK\$'000
Trade and lease receivables	1,387	2,305
Less: Loss allowance (note 30(d))	—	—
Trade and lease receivables, net	1,387	2,305

The Group primarily offers an average credit period ranging from 0 to 30 days to its retail business customers (2019: nil).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

18 Trade and other receivables, prepayments and deposits (Continued)

(a) Trade and lease receivables (Continued)

Lease receivables represent the receivables due for payment from tenants according to the payment schedule stated in the rental agreement. Rents from leasing of investment properties are normally received in advance without credit terms to tenants. Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and sets credit limits by customer. Credit limits assigned to customers are reviewed once a year. Further details on the Group's credit policy and credit risk arising from trade receivable is set out in note 30(d).

The ageing analysis of trade and lease receivables (net of loss allowance), based on invoice dates, as of the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
0-30 days	1,387	1,337
31-60 days	—	968
	1,387	2,305

(b) Prepayments, deposits and other receivables

	2020 HK\$'000	2019 HK\$'000
Prepayments and deposits	3,272	4,372
Accrued lease receivables	12,617	8,134
Other receivables	1,110	1,529
	16,999	14,035

Accrued lease receivables represent rental income recognised in equal instalments over the accounting periods covered by the lease term in excess of rent due for payment.

19 Short-term bank deposits/bank balances and cash

(a) Short-term bank deposits

Short-term bank deposits as at 31 December 2020 represented time deposits with an original maturity of three months or less. Short-term deposits earn market interest rate ranging from 0.14% to 3.02% (2019: 0.50% to 3.02%) per annum.

(Expressed in Hong Kong dollars unless otherwise indicated)

19 Short-term bank deposits/bank balances and cash (Continued)**(b) Bank balances and cash**

Bank balances and cash comprise cash held by the Group. Cash at banks earned interest at floating rates based on daily bank deposit rates.

Cash of the Group of HK\$16,777,000 (2019: HK\$7,171,000) is denominated in RMB and deposited with banks in the PRC, is subject to exchange controls. RMB is not freely convertible into other currencies.

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities:

	Lease liabilities	
	2020 HK\$'000	2019 HK\$'000
At 1 January	5,024	14,334
Changes from financing cash flow		
Capital element of lease rentals paid	(3,302)	(2,383)
Interest element of lease rentals paid	(516)	(91)
Total changes from financing cash flows	(3,818)	(2,474)
Exchange realignment	1,409	(50)
Other changes		
Increase in lease liabilities from entering into new leases during the period (note 13(b))	22,005	6,451
Interest expenses (note 13(b))	516	445
COVID-19-related rent concession (note 13(b))	(56)	—
Early termination of lease (note 10)	—	(13,682)
	22,465	(6,786)
At 31 December	25,080	5,024

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

19 Short-term bank deposits/bank balances and cash (Continued)

(d) Total cash outflow for leases

Amounts of cash outflow included in the cash flow statement for leases comprise the following:

	2020 HK\$'000	2019 HK\$'000
Within operating cash flows	756	980
Within financing cash flows	3,818	2,474
	4,574	3,454

These amounts relate to lease rentals paid during the years ended 31 December 2020 and 2019.

20 Trade and other payables and accrued expenses

	2020 HK\$'000	2019 HK\$'000
Trade payables	123	—
Other payables and accrued expenses	25,878	23,979
	26,001	23,979

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of trade payables, based on invoice dates, as of the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
0–30 days	123	—

*(Expressed in Hong Kong dollars unless otherwise indicated)***21 Lease liabilities**

The lease liabilities were repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	4,108	2,234
After 1 year but within 2 years	3,987	846
After 2 years but within 5 years	9,174	1,944
After 5 years	7,811	—
	20,972	2,790
	25,080	5,024

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 Deferred taxation

Components of deferred tax liabilities/(assets) recognised by the Group and movements thereon during the years ended 31 December 2020 and 2019 are as follows:

	Accelerated tax depreciation and effective rent HK\$'000	Revaluation of investment properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2019	12,334	65,646	(129)	77,851
Exchange realignment	(277)	(1,360)	—	(1,637)
Charged to profit or loss (note 8(a))	1,767	2,169	129	4,065
At 31 December 2019 and 1 January 2020	13,824	66,455	—	80,279
Exchange realignment	1,021	4,562	—	5,583
Charged to profit or loss (note 8(a))	1,459	1,125	—	2,584
At 31 December 2020	16,304	72,142	—	88,446

As at 31 December 2020, the Group has unused tax losses of HK\$9,504,000 (2019: HK\$4,487,000) available for offset against future profits. The Group has not recognised deferred tax asset as it is not probable that sufficient future taxable profit against which the losses can be utilised will be available in relevant tax jurisdiction and entity. The tax losses has no expiry date.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries amounting to HK\$3,441,000 (2019: HK\$2,721,000) as the Group is able to control the timing of the reversal of the temporary differences and it is not probable that these subsidiaries will distribute such profits in foreseeable future.

(Expressed in Hong Kong dollars unless otherwise indicated)

23 Capital, reserves and dividends

(a) Share capital

Ordinary shares, issued and fully paid	At 31 December 2020		At 31 December 2019	
	Number of shares	Amounts HK\$'000	Number of shares	Amounts HK\$'000
At the beginning of the year	345,374,910	193,246	345,374,910	193,246
At the end of the year <i>(note 28)</i>	345,374,910	193,246	345,374,910	193,246

In accordance with section 135 of the Companies Ordinance, the ordinary shares of the Company do not have a par value.

(b) Dividends

The Board did not recommend the payment of a final dividend for the years ended 31 December 2020 and 2019.

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

(ii) Statutory reserve

According to the PRC Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital.

(Expressed in Hong Kong dollars unless otherwise indicated)

23 Capital, reserves and dividends (Continued)

(d) Movements in the Company's reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's reserves between the beginning and the end of the year are set out below:

	Retained profits
	HK\$'000
At 1 January 2019	167,903
Loss for the year	(15,109)
At 31 December 2019 and 1 January 2020 (note 31)	152,794
Loss for the year	(25,300)
At 31 December 2020 (note 31)	127,494

Share options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee (whether full time or part time employee) or executive director of the Company or any of its subsidiaries or any invested entity (any entity in which the Group holds any equity interest); any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity of the Company; any supplier of goods or services to any member of the Group or any invested entity; any customer of the Group or any invested entity; any person or entity that provides research, development, or other technological support to the Group or any invested entity; and any shareholder of any member of the Group or any invested entity or any holder of securities issued by any member of the Group or any invested entity. The Scheme was adopted and approved by the shareholders of the Company on 14 May 2010 and expired on 13 May 2020.

*(Expressed in Hong Kong dollars unless otherwise indicated)***23 Capital, reserves and dividends** *(Continued)***(d) Movements in the Company's reserves** *(Continued)***Share options** *(Continued)*

No options have been granted under the Scheme during the life of the Scheme, and no further options shall be granted under the Scheme upon its expiration.

24 Capital commitments

Capital commitments as at 31 December 2020 and 2019 not provided for in the financial statements were as follows:

	2020 HK\$'000	2019 HK\$'000
Contracted for:		
— retail business	1,675	108

25 Pledge of assets

As at 31 December 2020 and 2019, no assets are pledged in favour of banks and financial institutions to secure for the borrowings and banking facilities.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

26 Interests in subsidiaries

	2020 HK\$'000	2019 HK\$'000
Unlisted shares, at cost (note 31)	80,079	80,079

As at 31 December 2020, the directors of the Company concluded that the investments are fully recoverable.

Particulars of the subsidiaries as at 31 December 2020 and 2019 are as follows:

Name of company	Place/country of incorporation/ operations	Issued share capital	Percentage of issued share capital held by the Company		Principal activities
			2020	2019	
<i>Held directly:</i>					
Adamgate Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment holding
Dragon Intellect Holdings Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment holding
Max Benefit Group Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment holding
Poppins Properties Limited	British Virgin Islands	55,603 ordinary shares of US\$1 each	100%	100%	Investment holding
Sino Season Investments Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment Holding
Splendid Maple Investments Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment Holding

(Expressed in Hong Kong dollars unless otherwise indicated)

26 Interests in subsidiaries (Continued)

Name of company	Place/country of incorporation/ operations	Issued share capital	Percentage of issued share capital held by the Company		Principal activities
			2020	2019	
<i>Held indirectly:</i>					
Capital Head Investment Limited	Hong Kong	2 Ordinary shares	100%	100%	Property investment in Shanghai, the PRC
Concord Trinity Development Limited	Hong Kong	2 Ordinary shares and 2 non-voting deferred shares (ii)	100%	100%	Property investment in Shanghai, the PRC
Glory South Investment Limited	Hong Kong	2 Ordinary shares	100%	100%	Property investment in Hainan, the PRC
Jelson Enterprises Limited	Hong Kong	2 Ordinary shares and 2 non-voting deferred shares (ii)	100%	100%	Property investment in Shanghai, China
Sky Chinastar Holdings Group Limited	Hong Kong	1 Ordinary share	100%	100%	Investment holding
Great China Holdings Limited (vi)	Hong Kong	1 Ordinary share	100%	100%	Investment holding
Poppins Properties (Shanghai) Co., Ltd. (i) 博平置業(上海)有限公司	PRC	Registered capital of US\$8,460,000	100%	100%	Property investment in Shanghai, the PRC
Shanghai Chengzhi Automobile Sales Co., Ltd. (i) and (iv) 上海誠郵汽車銷售有限公司	PRC	Registered capital of RMB20,000,000	—	100%	Sale of cars and provision of automobile tertiary service
Shanghai Tian Xi Vehicle Services Company Limited (i) and (iv) 上海天禧車業服務有限公司	PRC	Registered capital of RMB10,000,000	—	100%	Sale of cars and provision of automobile tertiary service

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

26 Interests in subsidiaries (Continued)

Name of company	Place/country of incorporation/ operations	Issued share capital	Percentage of issued share capital held by the Company		Principal activities
			2020	2019	
<i>Held indirectly:</i>					
Anshan Tian Xi Hai Jia Sales Company Limited (i) and (vii) 鞍山天禧海嘉商業銷售有限公司	PRC	Registered capital of RMB10,000,000	100%	100%	Provision of property related services in Anshan, the PRC
Sky Chinafortune (Shanghai) Business Management Co., Ltd. (i) 天禧海嘉(上海)商務管理有限公司	PRC	Registered capital of RMB25,000,000	100%	100%	Investment holding
Ju Mian (Shanghai) Catering Co., Ltd. (i) and (viii) 橘面(上海)餐飲有限公司	PRC	Registered capital of RMB3,000,000	100%	100%	Retail sales and food and beverage in the PRC
Shanghai Da Ju Convenience Store Limited (i) and (ix) 上海大橘便利店有限公司	PRC	Registered capital of RMB20,000,000	100%	100%	Retail sales and food and beverage in the PRC
Shanghai Da Mu Mao Jiong Convenience Store Co., Limited (x) 上海大木矛罔便利店有限公司	PRC	Registered capital of RMB10,000,000	100%	—	Retail sales and food and beverage in the PRC
Anshan Da Mu Mao Jiong Convenience Store Co., Limited (x) 鞍山大木矛罔便利店有限公司	PRC	Registered capital of RMB5,000,000	100%	—	Retail sales and food and beverage in the PRC
Shanghai Xu Hao Po Food Sales Co., Limited (x) 上海徐好婆食品銷售有限公司	PRC	Registered capital of RMB5,000,000	51%	—	Retail sales and food and beverage in the PRC

(Expressed in Hong Kong dollars unless otherwise indicated)

26 Interests in subsidiaries *(Continued)*

Notes:

- (i) The company is a wholly foreign owned enterprise in the PRC. The English translations of the company's name is for reference only. The official name of the company is in Chinese.
- (ii) The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.
- (iii) None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year (2019: Nil).
- (iv) The company was deregistered on 3 June 2020.
- (v) The company was deregistered on 3 January 2020.
- (vi) The company changed its name from Sky Chinafortune Holdings Group Limited to Great China Holdings Limited in 2019.
- (vii) The company changed its name from Anshan Jian Xin Property Management Company Limited to Anshan Tian Xi Hai Jia Sales Company Limited in 2019.
- (viii) The company changed its name from Xiao Ye Niu Catering Co., Ltd. to Ju Mian (Shanghai) Catering Co., Ltd. in 2019.
- (ix) The company changed its name from Shanghai Shi Fen Convenience Store Limited to Shanghai Da Ju Convenience Store Limited in 2019.
- (x) The company is a domestic enterprise in the PRC. The English translations of the company's name is for reference only. The official name of the company is in Chinese.

27 Related party transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties:

(a) Key management personal remuneration

Key management compensation, representing directors' remuneration as disclosed in note 9(a).

Total remuneration is included in "staff costs" (see note 7(b)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Related party transactions (Continued)

(b) Other related party transactions

(i) Significant related party transactions

During the years ended 31 December 2020 and 2019, the Group entered into transactions with the following related party:

Name of parties	Nature of transaction	2020 HK\$'000	2019 HK\$'000
Sky Fortune Boutique Hotel Shanghai (note (a))	— Short-term rental paid	734	—
	— Staff messing	63	—
	— Retail sales	463	—
	— Addition to right-of-use assets	1,091	—
Shanghai You Yi Jiu Ye Company Limited* (note (b)) 上海優怡酒業有限公司	— Retail sales	612	—

(ii) Balance with a related party

As at 31 December 2020, the Group had the following balance with a related party:

	At 31 December 2020 HK\$'000	At 31 December 2019 HK\$'000
Amount due from Sky Fortune Boutique Hotel Shanghai (Note (a))	381	—
Lease liabilities	1,052	—

Notes:

- (a) The ultimate controlling party of the Group acquired the controlling interests in this entity indirectly in January 2020.
- (b) The company is controlled by two executive directors of the Company, Mr. JIANG Tian and Mr. GONG Biao, respectively, and was deregistered in September 2020.

* The English translation is for reference of those official names in Chinese only.

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists equity attributable to owners of the Company, comprising issued capital and reserves as disclosed in note 23 and consolidated statement of changes in equity.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company prepare the annual budget taking into account of the available sources of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The capital-to-overall financing ratio at reporting date was as follows:

	2020 HK\$'000	2019 HK\$'000
Capital		
Total equity	620,386	585,814
Overall financing		
Borrowings	—	—
Capital-to-overall financing ratio	N/A	N/A

The Group's overall strategy remains unchanged during the years ended 31 December 2020 and 2019.

29 Fair value measurement

(a) Financial instruments measured at fair value

As at 31 December 2020 and 2019, the Group did not have any financial assets or liabilities measured at fair value.

(b) Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2019 and 2020.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Financial risk management

(a) Financial risk management objectives

The management monitors and manages the financial risks arising from financial instruments entered into in the normal course of operations and in its investment activities through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures.

(b) Foreign currency risk

Major operation of the Group is carried out in the PRC in RMB, which is the functional currency of this operation, and therefore the Group is not exposed to material foreign currency risk as at 31 December 2020 and 2019.

The currencies giving rise to this risk mainly include HK\$, USD and RMB. As HK\$ is pegged to USD, exposure in respect of these currencies is considered insignificant. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities in net position (excluding HK\$ and USD) at the reporting date are as follows:

	2020 HK\$'000	2019 HK\$'000
Net monetary assets		
RMB	40,418	41,905

The sensitivity analysis is not performed for the reporting period, since the management considers the Group is not exposed to significant currency risk.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its shareholders.

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Financial risk management (Continued)

(c) Interest rate risk

Non-derivative financial assets and financial liabilities

As at 31 December 2020 and 2019, the Group is exposed to cash flow interest rate risk in relation to bank balances.

The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of deposit interest rate.

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with a good credit rating, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

At the end of the reporting period, 75.28% and 86.74% (2019: 85.40% and 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively, within the investment properties segment.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Rental deposits were received from the tenants.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Financial risk management (Continued)

(d) Credit risk (Continued)

Trade receivables (Continued)

The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 December 2019 and 2020.

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The movement in loss allowance account in respect of trade receivables during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
Balance at 1 January under <i>HKAS 39</i> and <i>HKFRS 9</i>	—	102
Amounts written off during the year	—	(101)
Exchange realignment	—	(1)
Balance at 31 December (<i>note 18(a)</i>)	—	—

(e) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial lease liabilities which are based on contractual undiscounted cash flows including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period and the earliest date the Group can be required to pay.

	2020 Contractual undiscounted cash outflow						2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000	Carrying amount at 31 December HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000	Carrying amount at 31 December HK\$'000
Lease liabilities	5,242	4,924	10,977	8,777	29,920	25,080	2,409	972	2,077	—	5,458	5,024

The contractual cash flows of other financial liabilities equal to the carrying amount on the statement of financial position as at 31 December 2020 and 2019.

(Expressed in Hong Kong dollars unless otherwise indicated)

31 Statement of financial position of the Company

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Interests in subsidiaries	26	80,079	80,079
Property, plant and equipment		198	486
Right-of-use assets		282	1,972
Trademarks	15	134	152
Trade and other receivables, prepayments and deposits		—	493
		80,693	83,182
Current assets			
Trade and other receivables, prepayments and deposits		1,018	617
Amounts due from subsidiaries		289,751	283,663
Short-term bank deposits		69,476	56,616
Bank balances and cash		6,928	37,102
		367,173	377,998
Current liabilities			
Other payables and accrued expenses		2,307	2,731
Lease liabilities		290	1,708
Amounts due to subsidiaries		124,529	110,411
		127,126	114,850
Net current assets		240,047	263,148
Total assets less current liabilities		320,740	346,330
Non-current liability			
Lease liabilities		—	290
NET ASSETS		320,740	346,040
CAPITAL AND RESERVES			
Share capital	23(a)	193,246	193,246
Reserves	23(d)	127,494	152,794
TOTAL EQUITY		320,740	346,040

Approved and authorised for issue by the board of directors on 26 March 2021 and signed on its behalf by:

HOU Yingxuan
Director

Jiang Jiabao
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Immediate and ultimate controlling party

As at 31 December 2020 and 2019, the directors of the Company consider the immediate parent of the Group to be Hopevision Group Ltd. and the ultimate controlling party of the Group to be Mr. JIANG Tian. Hopevision Group Ltd. does not produce financial statements available for public use.

33 Possible impact of amendments, new standard and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards to HKFRSs which are not yet effective for the current accounting period of the Group and which have not been adopted in these consolidated financial statements.

These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts — Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Schedule of Principal Properties

Schedule of Principal Properties

Details of the principal investment properties and properties held for sale of the Group as at 31 December 2020 are as follows:

A Investment properties

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest	Lease term
PRC				
Apartment Nos. 404, 504, 604, 704 and 804 Block No. 2, Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	10,903	Residential apartments for rental	100%	Medium-term lease
Commercial floor on Level 2 and 3 of Block No. 1, Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	40,734	Shops for rental	100%	Medium-term lease
Club House on Level 4 and Car Parking Space Nos. 38, 39, 40, 41 and 60 on Basement of Block No. 1 Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	10,958 (Club House)	Shop and carparks for rental	100%	Medium-term lease
Shopping Arcade on 1st Level (ground floor) of Block No. 1, Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	16,685	Shop for rental	100%	Medium-term lease

Schedule of Principal Properties

Schedule of Principal Properties (Continued)

A Investment properties (Continued)

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest	Lease term
Western Portion of level 1, Western Portion of Level 2, Western Portion of Level 3 and Western Portion of Basement Levels 1-3, Merry tower No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC	75,722	Shops and carparks for rental	100%	Medium-term lease
Units 6D, 6E, 14C, 17A, 17D, 23D, 23E, 27D and 27E, Merry Tower No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC	16,216	Residential apartments for rental	100%	Medium-term lease
Apartment G on 12th Floor, Block 5, Silver Valley Garden Haikou, Hainan, the PRC	1,163	Residential apartment for rental	100%	Medium-term lease
Shop Units Nos. S17 to S25 on Level 1 and 2, Jia Bao New City, No. 58 Technology Road East, Lishan District, Anshan City, Liaoning Province, the PRC	22,991	Shops for rental	100%	Medium-term lease

Schedule of Principal Properties (Continued)

B Properties held for sale

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest	Lease term
PRC				
Unit 27C Merry Tower No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC	977	Residential apartment for sale	100%	Medium-term lease

Five-year Financial Summary

	Year ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations					
Revenue	44,863	24,044	24,349	22,448	21,336
Profit/(loss) before taxation	207	9,932	(1,636)	61,589	17,467
Income tax	(3,797)	(5,395)	(2,278)	(15,003)	(3,253)
(Loss)/profit for the year from continuing operations	(3,590)	4,537	(3,914)	46,586	14,214
Discontinued operations:					
Loss from discontinued operations	—	(9,707)	(2,782)	—	45,476
(Loss)/profit for the year attributable to equity shareholders of the Company	(3,590)	(5,170)	(6,696)	46,586	59,690
Loss attributable to					
— Equity shareholders of the Company	(3,527)	(5,170)	(6,696)	46,586	59,690
— Non-controlling interests	(63)	—	—	—	—

Assets and liabilities

	As at 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	764,710	699,440	711,577	740,861	520,608
Total liabilities	(144,324)	(113,626)	(109,850)	(110,082)	(89,143)
Total equity	620,386	585,814	601,727	630,779	431,465
Total equity attributable to equity shareholders of the Company	619,553	—	—	—	—
Non-controlling interests	833	—	—	—	—