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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Sky Chinafortune Holdings Group Limited (the "**Company**") announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Year**") together with the corresponding comparative figures of last year. The Group's audited consolidated financial statements for the Year have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021
(Expressed in Hong Kong dollars ("HK$"))

	Note	2021 HK$'000	2020 HK$'000
Revenue	2	**48,729**	44,863
Cost of sales		**(21,862)**	(19,893)
Gross profit		**26,867**	24,970
Other income	4	**869**	1,617
Administrative expenses		**(28,930)**	(23,891)
Selling and distribution expenses		**(16,954)**	(2,927)
Other operating expenses	7	**(14,159)**	—
Net valuation (loss)/gain on investment properties	10	**(5,501)**	954
(Loss)/profit from operations		**(37,808)**	723
Finance costs	5(a)	**(1,229)**	(516)
(Loss)/profit before taxation	5	**(39,037)**	207
Income tax	6	**(2,117)**	(3,797)
Loss for the year		**(41,154)**	(3,590)
Loss for the year attributable to			
— Equity shareholders of the Company		**(39,177)**	(3,527)
— Non-controlling interests		**(1,977)**	(63)
Loss for the year		**(41,154)**	(3,590)
Loss per share			
— Basic and diluted *(HK cents)*	8	**(11.34)**	(1.02)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in HK$)

	2021	2020
	HK$'000	*HK$'000*
Loss for the year	**(41,154)**	(3,590)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss		
Exchange difference arising from translation of financial statements of operations in foreign jurisdictions	**15,392**	37,268
Other comprehensive income for the year	**15,392**	37,268
Total comprehensive income for the year	**(25,762)**	33,678
Attributable to:		
— Equity shareholders of the Company	**(23,791)**	33,739
— Non-controlling interests	**(1,971)**	(61)
Total comprehensive income for the year	**(25,762)**	33,678

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Expressed in HK$)

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment properties	10	**617,010**	606,764
Property, plant and equipment		**6,544**	9,652
Right-of-use assets		**2,499**	24,883
Intangible assets		**51**	1,677
Trademarks		**115**	134
Trade and other receivables, prepayments and deposits	11	**13,159**	13,495
		639,378	656,605
Current assets			
Properties held for sale		**1,302**	1,269
Inventories		**8,513**	3,905
Trade and other receivables, prepayments and deposits	11	**3,786**	4,891
Tax recoverable		**—**	10
Short-term bank deposits		**49,565**	69,476
Bank balances and cash		**21,130**	28,554
		84,296	108,105
Current liabilities			
Trade and other payables and accrued expenses	12	**29,935**	26,001
Rental deposits received		**59**	113
Lease liabilities		**2,359**	4,108
Tax payable		**9**	18
		32,362	30,240
Net current assets		**51,934**	77,865
Total assets less current liabilities		**691,312**	734,470

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2021
(Expressed in HK$)

	2021	2020
	HK$'000	*HK$'000*
Non-current liabilities		
Rental deposits received	**4,896**	4,666
Lease liabilities	**856**	20,972
Deferred tax liabilities	**90,936**	88,446
	96,688	114,084
NET ASSETS	**594,624**	620,386
CAPITAL AND RESERVES		
Share capital	**193,246**	193,246
Reserves	**401,849**	426,307
Total equity attributable to equity shareholders of the Company	**595,095**	619,553
Non-controlling interests	**(471)**	833
TOTAL EQUITY	**594,624**	620,386

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(Expressed in HK$)

	Attributable to equity shareholders of the Company						
	Share capital *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve *HK$'000*	Retained profits *HK$'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	—	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2021
(Expressed in HK$)

	Attributable to equity shareholders of the Company						
	Share capital *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2021	**193,246**	**96,853**	**152**	**329,302**	**619,553**	**833**	**620,386**
Loss for the year	—	—	—	**(39,177)**	**(39,177)**	**(1,977)**	**(41,154)**
Other comprehensive income for the year	—	**15,386**	—	—	**15,386**	**6**	**15,392**
Total comprehensive income for the year	—	**15,386**	—	**(39,177)**	**(23,791)**	**(1,971)**	**(25,762)**
Transfer from retained profits	—	—	**65**	**(65)**	—	—	—
Acquisition of additional interests in a subsidiary	—	**8**	—	**(675)**	**(667)**	**667**	—
At 31 December 2021	**193,246**	**112,247**	**217**	**289,385**	**595,095**	**(471)**	**594,624**

NOTES

For the year ended 31 December 2021

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results for the year ended 31 December 2021 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The financial statements for the year ended 31 December 2021 have not been but will be delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The independent auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

1.1 Accounting policies

(i) Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of amendments to Hong Kong Financial Reporting Standards ("**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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*
- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*

None of these developments have had a material effect on how the Group's result and financial position for the current accounting period have been prepared or presented in these financial statements. 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:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

1.1 Accounting policies (Continued)

(i) Changes in accounting policies (Continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

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

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022. The amendments do not have an impact on these financial statements as the Group did not receive any rent concessions from landlord in 2021.

2. REVENUE

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

	2021	2020
	HK$'000	*HK$'000*
Rental revenue		
Shops	**23,974**	21,640
Residential	**2,589**	2,419
Car parking spaces	**537**	501
	27,100	24,560
Revenue from contracts with customers within the scope of HKFRS 15		
Retail sales	**17,949**	18,301
Property related services	**3,680**	2,002
	48,729	44,863

For the year ended 31 December 2021, revenue from one (2020: one) customer of the Group's property investment in the People's Republic of China (the "PRC") segment amounted to HK$15,605,000 (2020: HK$14,338,000), which exceeded 10% of the Group's revenue.

2. REVENUE (CONTINUED)

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:

	2021	2020
	HK$'000	*HK$'000*
Within one year	**29,695**	27,482
In the second to fifth year inclusive	**99,626**	103,052
Over five years	**87,946**	29,313
	217,267	159,847

Typically leases are negotiated for an average term ranging from one to ten (2020: 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.

3. 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.

(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, everyday items and ready-cooked food in the PRC

Having considered the results of the retail business and its performance, the Group closed certain convenience stores and retail food stores during the year ended 31 December 2021 and decided to close down all convenience stores and retail food stores by the second half of 2022. The retail business segment will continue to sell Chinese liquor and wine.

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 2021 and 2020. 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.

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.

3. SEGMENT INFORMATION (CONTINUED)

Information regarding the above segments is reported below:

Segment revenue and results

	Property investment *HK$'000*	**Trading of properties and property related services** *HK$'000*	**Retail business** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2021				
Reportable segment revenue	**27,022**	**3,758**	**17,949**	**48,729**
Reportable segment profit/(loss) after tax	**12,824**	**336**	**(38,940)**	**(25,780)**
Net corporate expenses				**(15,285)**
Unallocated finance cost				**(89)**
Loss for the year				**(41,154)**

	Property investment *HK$'000*	Trading of properties and property related services *HK$'000*	Retail business *HK$'000*	Total *HK$'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)

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	Property investment *HK$'000*	Trading of properties and property related services *HK$'000*	Retail business *HK$'000*	Total *HK$'000*
At 31 December 2021				
Reportable segment assets	**636,447**	**2,944**	**20,763**	**660,154**
Unallocated corporate assets				**63,520**
Consolidated total assets				**723,674**
Reportable segment liabilities	**101,812**	**17,081**	**4,880**	**123,773**
Unallocated corporate liabilities				**5,277**
Consolidated total liabilities				**129,050**

	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

Unallocated corporate assets mainly comprised property, plant and equipment and right-of-use assets which are used by the Group's headquarters, trademarks, 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 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.

3. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Property investment *HK$'000*	Trading of properties and property related services *HK$'000*	Retail business *HK$'000*	Corporate/ Unallocated *HK$'000*	Total *HK$'000*
For the year ended 31 December 2021					
Additions to property, plant and equipment	21	—	7,839	725	8,585
Additions to intangible assets	—	—	360	—	360
Amortisation of intangible assets	—	—	204	—	204
Amortisation of trademarks	—	—	—	20	20
Depreciation of property, plant and equipment	83	5	1,901	1,023	3,012
Depreciation of right-of-use assets	—	—	4,861	1,722	6,583
Impairment on property, plant and equipment	—	—	6,664	—	6,664
Impairment on intangible assets	—	—	1,704	—	1,704
Gain on reassessment of lease liabilities	—	—	(865)	—	(865)
Impairment on right-of-use assets	—	—	1,039	—	1,039
Loss on disposal of property, plant and equipment	—	—	2,217	—	2,217
Loss on disposal of intangible assets	—	—	100	—	100
Net valuation loss on investment properties	5,501	—	—	—	5,501
Net exchange loss	—	—	—	536	536
Bank interest income	(38)	(3)	(50)	(460)	(551)
Income tax expense/(credit)	2,087	31	7	(8)	2,117

3. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

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

Geographical information

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

4. OTHER INCOME

	2021 ***HK$'000***	2020 *HK$'000*
Bank interest income	**551**	1,177
Government subsidies	**—**	378
Sundry	**318**	62
	869	1,617

5. (LOSS)/PROFIT BEFORE TAXATION

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

	2021	2020
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on lease liabilities	**1,229**	516

	2021	2020
	HK$'000	*HK$'000*
(b) Staff costs		
Salaries, wages and other benefits (including directors' emoluments)	**21,464**	14,011
Contributions to defined contribution retirement plans *(note)*	**2,977**	929
	24,441	14,940

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 (2020: HK$1,500) per month, whichever is the smaller to the MPF Scheme. Contributions to the plan vest immediately, there is no forfeited contribution that may be used by the Group to reduce the existing level of contribution for the years ended 31 December 2021 and 2020.

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.

The total cost charged to profit or loss of HK$2,977,000 (2020: HK$929,000) represents contributions paid/payable to the above retirement benefit schemes, by the Group during the year.

5. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

	2021	2020
	HK$'000	*HK$'000*
(c) Other items		
Auditor's remuneration	**1,650**	1,450
Amortisation of trademarks	**20**	20
Amortisation of intangible assets	**204**	41
Depreciation		
— Owned property, plant and equipment	**3,012**	1,139
— Right-of-use assets	**6,583**	3,509
Impairment on property, plant and equipment	**6,664**	—
Impairment on intangible assets	**1,704**	—
Gain on reassessment of lease liabilities	**(865)**	—
Impairment on right-of-use assets	**1,039**	—
Loss on disposal of property, plant and equipment	**2,217**	—
Loss on disposal of intangible assets	**100**	—
Cost of inventories recognised as expenses included in cost of sales	**16,702**	16,429
Short-term leases charges	**870**	738
Net exchange loss	**536**	511
Gross rental income	**(27,100)**	(24,560)
Less: direct operating expenses	**2,630**	2,090
Net rental income	**(24,470)**	(22,470)

6. INCOME TAX

Income tax represents:

	2021	2020
	HK$'000	*HK$'000*
Current tax — PRC Enterprise Income Tax	**1,936**	1,213
Deferred tax	**181**	2,584
Income tax expense	**2,117**	3,797

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 2021 and 2020 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 2021 and 2020.

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% (2020: 10%) on the rental income earned by these Hong Kong subsidiaries for the year.

7. IMPAIRMENT OF RETAIL STORES

Having considered the results of the negative impacts resulting from the COVID-19 pandemic and the evaluation of the performance on retail business, the Group closed certain retail stores and retail food stores for the year ended 31 December 2021 and decided to close down all convenience stores and retails food stores by the second half of 2022.

The Group has terminated the leases of certain stores in advance during the year and incurred a penalty of HK$601,000. The Group intended to exercise the early termination options to terminate the leases of the remaining convenience stores and retail food stores. A gain from reassessment of lease liabilities of HK$865,000 was recognised during the year ended 31 December 2021 and intangible assets and plant and equipment of HK$100,000 and HK$2,217,000 were written off, respectively. For the year ended 31 December 2021, in view of the sustained loss incurred by the convenience stores and retail food stores and the planned closure of these stores, management estimated that the carrying value of the related intangible assets, plant and equipment, right-of-use assets, the carrying amount of each of these CGUs was tested for impairment. As a result of the assessment, the Group fully impaired the related intangible assets of HK$1,704,000, plant and equipment of HK$6,664,000, right-of-use assets of HK$1,039,000, other receivables and deposits of HK$2,699,000. The aggregate impairment loss of HK$12,106,000 and other loss from closure of stores, totalled HK$14,159,000, was recognised as "other operating expenses" in the consolidated statement of profit or loss.

8. LOSS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Loss for the year attributable to equity shareholders of the Company	**(39,177)**	(3,527)

	Number of shares	
	2021	2020
Weighted average number of ordinary shares in issue during the year	**345,374,910**	345,374,910

For the years ended 31 December 2021 and 2020, basic and diluted loss per share are equal as there were no potential dilutive ordinary shares in issue.

9. DIVIDENDS

The Board did not recommend the payment of a final dividend for the years ended 31 December 2021 and 2020.

10. INVESTMENT PROPERTIES

	2021	2020
	HK$'000	*HK$'000*
Fair value		
At 1 January	**606,764**	571,095
Exchange realignment	**15,747**	38,474
Transfer from investment properties to property, plant and equipment	**—**	(3,759)
Changes in fair value	**(5,501)**	954
At 31 December	**617,010**	606,764

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.

Valuation process

The Group's investment properties were revalued as at 31 December 2021 and 2020 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.

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021	2020
	HK$'000	*HK$'000*
Trade and lease receivables, net *(note (a))*	**1,248**	1,387
Accrued lease receivables *(note (b))*	**12,933**	12,617
Prepayments, deposits and other receivables, net *(note (b))*	**2,764**	4,382
Carrying amount at 31 December	**16,945**	18,386
Less: Current portion	**(3,786)**	(4,891)
Non-current portion	**13,159**	13,495

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.

11 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

(a) Trade and lease receivables

	2021	2020
	HK$'000	*HK$'000*
Trade and lease receivables	**1,248**	1,387
Less: Loss allowance	**—**	—
Trade and lease receivables, net	**1,248**	1,387

The Group primarily offers an average credit period ranging from 0 to 30 days to its retail business customers (2020: 0 to 30 days).

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.

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:

	2021	2020
	HK$'000	*HK$'000*
0–30 days	**1,248**	1,387

(b) Prepayments, deposits and other receivables

	2021	2020
	HK$'000	*HK$'000*
Prepayments and deposits	**1,798**	3,272
Accrued lease receivables	**12,933**	12,617
Other receivables	**966**	1,110
	15,697	16,999

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.

12. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**584**	123
Other payables and accrued expenses	**29,351**	25,878
	29,935	26,001

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:

	2021	2020
	HK$'000	*HK$'000*
0–30 days	**584**	123

MANAGEMENT DISCUSSION AND ANALYSIS

Group Review

During the year ended 31 December 2021 (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. In addition, the Group has recognised revenue of approximately HK$17.95 million from its retail business for the Year. Revenue of the Group increased by approximately HK$3.87 million to approximately HK$48.73 million due to the effects of exchange rate fluctuation against Renminbi ("**RMB**").

The retail business of the Group was faced with intensified price competition and challenging business environment in the PRC as well as the impact from the ongoing development and knock-on effects of the outbreak of the coronavirus disease 2019 (COVID-19) (the "**Coronavirus Outbreak**"). Such has adversely affected the financial performance of the retail business during the Year. The Group closed down certain convenience stores and retail food stores in Shanghai in 2021.

For the Year, basic and diluted loss per share of the Company (the "**Share(s)**") was approximately HK11.34 cents (2020: basic and diluted loss per Share was approximately HK1.02 cents).

BUSINESS REVIEW

Property Investment

Despite the worsening Coronavirus Outbreak, the Group managed to achieve a stable occupancy rate per unit for its residential premises, shop lots and car parking spaces as further detailed below:

Residential premises

For the Year, the Group generated revenue of approximately HK$2.51 million (2020: approximately HK$2.32 million) from the leasing of residential premises. The average occupancy rate per unit was approximately 92.22% for the Year (2020: approximately 91.11%). The occupancy rate per unit as at 31 December 2021 was approximately 93.33% (as at 31 December 2020: approximately 93.33%). As at 31 December 2021, 15 residential premises (as at 31 December 2020: 15 residential premises) were classified as investment properties, which were valued by an independent professional valuer. These investment properties are primarily located in Shanghai and Hainan, the PRC. The fair value gain on investment properties was approximately HK$3.20 million for the Year (2020: fair value gain on investment properties of approximately HK$13.04 million).

Shops and car parks

For the Year, the Group generated revenue of approximately HK$24.51 million (2020: approximately HK$22.14 million) from leasing of shop lots and car parking spaces. The average occupancy rate per unit was 100.00% for the Year (2020: approximately 69.12%). As at 31 December 2021, 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$8.70 million for the Year (2020: fair value loss on investment properties at approximately HK$12.09 million).

Trading of Properties and Property Related Services

During the Year, the Group generated revenue of approximately HK$3.76 million (2020: approximately HK$2.10 million) and recorded a profit after tax of approximately HK$0.34 million (2020: approximately HK$0.29 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$0.08 million (2020: approximately HK$0.10 million) from leasing residential property held for sale on a short term basis, which was located in Shanghai, the PRC. The average occupancy rate per unit was approximately 66.67% for the Year (2020: approximately 83.33%). As at 31 December 2021, 1 residential premise located in Shanghai, the PRC (as at 31 December 2020: 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 and renewed the three property management agreements with Anshan Xinhaijia Property Management Co., Ltd.* (鞍山新海嘉電梯有限公司) during the Year, 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 generated revenue of approximately HK$3.68 million for the Year (2020: approximately HK$2.00 million).

* *For identification purpose only.*

Retail Business

As for the retail business, the Group has 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; (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, while targeting the increasingly affluent middle-class in the PRC which has been among the fastest growing in the world; and (iii) table food retail business, which has been operating under the name of "徐好婆", with a focus on Chinese braised food.

During the Year, the retail business of the Group was faced with intensified price competition and challenging business environment in the PRC as well as the impact from the ongoing development and knock-on effects of the Coronavirus Outbreak. Such has adversely affected the financial performance of the retail business during the Year. Having considered the results of the review on the retail business and its performance, after due and careful consideration, the Board has decided to further streamline the existing cost structures of the Group's retail business with a view to improve the overall business and cost efficiencies. On this basis, based on the evaluation outcome of the ongoing and expected financial performance of each of the retail stores, the Board shall continue to act in the interests of the shareholders of the Company (the "**Shareholders**") and the Company as a whole, and where considered appropriate, to modify, downscale or cease the operations of the relevant retail stores with an aim to reduce losses from the retail business.

During the Year, the Group was operating a number of Chinese liquor and wine stores, convenience stores and retail food stores in Shanghai as well as convenience stores in Anshan. By the end of 31 December 2021, attributable to the store availability to attain satisfactory financial performance, the Group closed down certain convenience stores and retail food stores in Shanghai. The ongoing performance of the remaining stores will continue to be closely monitored by the management. The retail business generated revenue and losses after tax of approximately HK$17.95 million (2020: approximately HK$18.30 million) and HK$38.94 million (2020: approximately HK$6.17 million) for the Year, respectively. Against this backdrop, the Group estimated the recoverable amount to be nil based on value-in-use calculation and having considered the overall challenging operating environment coupled with intensive price competition and economic headwinds in Shanghai and Anshan as a result of the worsening outbreak of Omicron variant. The Group believes losses would persist in the foreseeable future if the Group were to press ahead with the continued development of its retail business under the current business model. As such, after detailed assessment and much deliberation, the Board had decided to close down all the convenience stores and retail food stores in Shanghai and Anshan by the second half of 2022 with the aim to control and where possible, cease the loss making part of the retail business. The aforementioned notable loss was mainly attributable to the one-off expense of approximately HK$14.16 million on property, plant and equipment, intangible assets, right-of-use assets and other receivables and deposits in relation to the closure of the convenience stores and retail food stores and the increase in the essential selling and distribution expenses of approximately HK$14.02 million such as staff costs, the depreciation charge of right-of-use assets and property and equipment and logistic charges incurred for the operation of the stores during 2021. As the operating environment continues to evolve, the Board shall monitor and actively manage the development of the Group's retail business and reassess its strategy accordingly.

Regional Information

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

Prospects

Looking forward, the Board appreciates the fact that overcoming the challenges to both the domestic and global economies will not be immediate nor straightforward, hence no effort will be spared in monitoring and proactively managing the challenges ahead. With the Group's proactive business management, barring unforeseen circumstances, the Board is cautiously optimistic that the Group's businesses will improve over time and the Board will continue to act prudently and in the interests of the Shareholders by reviewing and re-adjusting the Group's business strategy, where necessary, and optimising the deployment of resources from time to time. To this end, the Group has been and shall continue to seek suitable diversification opportunities to manage business risks and broaden its income base, and will continue to closely monitor the development of its different business segments from time to time.

For its properties and property related services businesses, leveraging on our industry experience and insight, the Group intends to (i) enlarge its investment portfolio and diversify its risk by holding a mixed portfolio of investment properties by seeking opportunities to acquire quality investment properties; and (ii) actively establish a track record and market reputation as a reliable quality property management services provider.

As for the retail business, 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 a 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 continued to be one of the more adversely affected sectors as a result of the Coronavirus Outbreak. Having faced and overcome many challenges in the retail business, the Board had decided to close down all the convenience stores and retail food stores in Shanghai and Anshan by the second half of 2022 with the aim to control and where possible, cease the loss making part of the retail business.

The Board will continue to act with caution and use its best endeavors to develop a business strategy that can, to the extent possible, contain the adverse effects of a possible re-emergence of the Coronavirus Outbreak. Nevertheless, the Board expects upcoming challenges given the unpredictability of the development of the Coronavirus Outbreak, in particular, with the possible development of different variants, and their adverse impact on the economy and the markets in which the Group operates.

With the interests of the Shareholders in mind, the Board has and shall continue to monitor the impact of the macroeconomic issues on its performance and act to prudently and cautiously by re-adjusting the Group's strategy over time to manage the situations arising from the development of the Coronavirus Outbreak, as demonstrated by our decision to delay the opening of a number of the Group's convenience stores in the PRC in the past, and to maintain a good relationship with its key tenants and secure continued and stabilised income for the Group.

Under the "New Normal", the Board recognises the inherent limitations of a rigid business strategy. Hence, the Board has and shall continue to incorporate flexibilities into its business strategy for each of the business segments with a view to better adapt to the fast changing operating environment that the "New Normal" has and may bring upon the Group's businesses. As certain adjustments to the business strategies may require a longer period of time to take effect and yield results than others, the Board will exercise its due care and skills to ensure an appropriate balance is struck between the merits and effectiveness of each strategy so as to achieve long-term Shareholders' value enhancement.

Looking into 2022, 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 helps build up public trust. In addition, we will also honour our corporate social responsibilities by addressing the needs of our staff and contributing to the community. Both the management and employees had enjoyed the charitable events 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 its 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.

Financial Review

Revenue of the Group for the Year increased by approximately HK$3.87 million to approximately HK$48.73 million (2020: approximately HK$44.86 million) which was mainly due to the effects of the exchange rate fluctuation against RMB.

Our gross profit was approximately HK$26.87 million (2020: approximately HK$24.97 million) for the Year, while gross profit margin was approximately 55.14% (2020: approximately 55.66%). The gross profit margin had remained constant as compared with the year ended 31 December 2020.

Other net income was approximately HK$0.87 million for the Year (2020: approximately HK$1.62 million). Such decrease was mainly due to the net effect of the drop in interest income generated and the one-off subsidies received from the Government of the HKSAR in response to the Coronavirus Outbreak during the year ended 31 December 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, short-term rental expenses, legal and professional expenses and other office expenses. Administrative expenses for the Year and the year ended 31 December 2020 were approximately HK$28.93 million and HK$23.89 million, respectively, representing an increase of approximately HK$5.04 million for the Year. Such increase was mainly due to the increase in the salaries and benefits of the administrative staff as the retail stores in Shanghai and Anshan, the PRC, were newly opened in 2021.

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. Selling and distribution expenses for the Year and the year ended 31 December 2020 were approximately HK$16.95 million and HK$2.93 million, respectively, representing an increase of approximately HK$14.02 million for the Year. Such increment was mainly due to the increase in costs incurred particularly with the salaries of the operation staff, the depreciation charge of right-of-use assets and the depreciation of property, plant and equipment and logistic charges as a number of retail stores were newly opened in the Year.

Other operating expenses of approximately HK$14.16 million for the Year (2020: nil) primarily comprised of the one-off expense on property, plant and equipment, intangible assets, right-of-use assets and other receivables and deposits in relation to the closure of a number of convenience stores and retail food stores. For further details, please refer to the business review on the retail business as set out in the paragraph headed "Business Review".

Loss for the Year attributable to shareholders of the Company amounted to approximately HK$39.18 million (2020: loss of approximately HK$3.53 million). The increase was mainly due to the fair value loss on investment properties of approximately HK$5.50 million for the Year as compared to the fair value gain on investment properties of approximately HK$0.95 million for the year ended 31 December 2020; and the one-off expense made of HK$14.16 million in relation to the retail stores and the increase in the selling and distribution expenses as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's current ratio was approximately 2.60 (2020: approximately 3.57), calculated on the basis of current assets of approximately HK$84.30 million (2020: approximately HK$108.11 million) over current liabilities of approximately HK$32.36 million (2020: approximately HK$30.24 million).

As at 31 December 2021, total short-term bank deposit, bank balances and cash on hand, which were mainly denominated in Hong Kong dollars and Renminbi, were approximately HK$70.70 million (2020: approximately HK$98.03 million).

GEARING RATIO

As at 31 December 2021, the Group's gearing ratio was nil (2020: Nil), due to no bank borrowings of the Group (2020: Nil) and the total assets of the Group was approximately HK$723.67 million (2020: approximately HK$764.71 million).

CAPITAL COMMITMENT

As at 31 December 2021, the Group had no capital commitments (2020: approximately HK$1.68 million for the retail business).

CHARGES ON ASSETS

As at 31 December 2021, the Group did not have any charge on its assets (2020: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Directors currently do not have any future plans for material investments or capital assets and 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.

Coronavirus Outbreak Related Risk

With the Coronavirus Outbreak limiting foot traffic in the PRC, the retail business activities of the Company have generally been slowed down or adversely affected. The Coronavirus Outbreak and the social distancing measures had an adverse impact on the operations and financial results of the Group in 2021 and the adverse effect is expected to persist in at least a portion of 2022. Coronavirus Outbreak has an adverse effect on the retail industry in the PRC and the ongoing impact may disrupt the business conditions and prospects of the Group. The Group is closely observing the development of the Coronavirus Outbreak and the effect on the business operation of the Group. The management will closely monitor the development and change its business strategies to minimize the said impact on the Group.

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 (2020: 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 2021, the Group employed 139 employees (2020: 110) with staff costs excluding the non-executive Director and independent non-executive Directors for the Year amounted to approximately HK$23.26 million (2020: approximately HK$13.76 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.

CONTINGENT LIABILITY

The Group had no material contingent liability as at 31 December 2021 (2020: 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.

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the Year (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

For the purpose of determining the rights to attend and vote at the Company's forthcoming annual general meeting to be held on Thursday, 2 June 2022 (the "**AGM**"), the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022 (both days inclusive), during which period no transfer of shares of the Company (the "**Shares**") will be effected. The Shareholders whose names appear on the register of members of the Company on Thursday, 2 June 2022 will be entitled to attend and vote at the AGM. In order to be entitled to attend and vote at the AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Friday, 27 May 2022.

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.

FUND RAISING

The Company had conducted two placings of new 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.

As at 31 December 2021 the proceeds from the Placings had been fully utilised with details as follows:

Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds up to 31 December 2021
First Placing	Approximately HK$74.72 million	For (i) general working capital; and/or	(i) Approximately HK$51.87 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) financing future investment or new business development as and when opportunities arise	(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
Second Placing	Approximately HK$46.67 million	For (i) general working capital; and/or	(i) Approximately HK$6.04 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) financing future investment or new business development as and when opportunities arise	(ii) Approximately HK$12.31 million and HK$28.32 million had been used for the automobile business and the retail business, respectively

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance in enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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. Having made specific enquiry of all Directors, save as disclosed herein, each of the Directors confirmed he/she 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, save and except as follows:

On 25 January 2021, Ms. JIANG Jiabao, an executive Director, acquired 1,248,000 Shares 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.

SCOPE OF WORK OF KPMG ON THIS FINAL RESULTS ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the Year as set out in this final results announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion and assurance conclusion has been expressed by the auditor on this announcement.

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 had 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 LD Decision (as defined hereinafter), trading in the Shares shall be suspended under Rule 6.01(3) of the Listing Rules (the "**LD Decision**").

On 2 February 2021, the Company had submitted a written request for the LD 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 had been scheduled.

On 5 May 2021, the Company received a letter from the Listing Committee notifying the Company that the Listing Committee, having considered all the submissions (both written and oral) made by the Company and the Listing Division, decided to uphold the LD Decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules (the "**LC Decision**"). The Listing Committee was also of the view that the Company failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its Shares.

On 14 May 2021, the Company had made a written request to the Listing Review Committee of the Stock Exchange (the "**Listing Review Committee**") for the LC Decision to be referred to the Listing Review Committee for a further and final review (the "**LRC Review**") pursuant to Rule 2B.06(2) of the Listing Rules.

On 1 September 2021, the Company received a letter from the Stock Exchange notifying the Company that, having considered all the submissions (both written and oral) made by the Company and the Listing Division, the Listing Review Committee decided to uphold the LC Decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules (the "**LRC Decision**"). The Listing Review Committee was also of the view that the Company 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.

On 30 September 2021, the Company received a letter from the Stock Exchange setting out the following guidance for the resumption of trading in the Shares (the "**Resumption Guidance**"):

(i) demonstrate its compliance with Rule 13.24; and

(ii) inform the market of all material information for the Shareholders and investors to appraise the Company's position.

Details of (i) the LD Decision were set out in the announcements of the Company dated 22 January 2021 and 2 February 2021; (ii) the LC Decision were set out in the announcement of the Company dated 5 May 2021; (iii) the LRC Review were set out in the announcement of the Company dated 14 May 2021; (iv) the LRC Decision were set out in the announcement of the Company dated 2 September 2021; (v) the Resumption Guidance were set out in the announcement of the Company dated 5 October 2021; and (vi) the quarterly update on resumption progress was set out in the announcements of the Company dated 30 November 2021 and 28 February 2022.

At the request of the Company, the trading in the Shares on the Stock Exchange had been suspended with effect from 9:00 a.m. on Thursday, 2 September 2021 and will remain suspended until further notice. Pursuant to Rule 6.01A of the Listing Rules, the Company shall have a period of 18 months from 2 September 2021 to take appropriate actions to demonstrate its compliance with Rule 13.24 of the Listing Rules, failing which the Stock Exchange may cancel the listing of the Shares. Further announcement(s) will be made by the Company as and when appropriate and in compliance with the requirements under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee, comprising all the three independent non-executive Directors, has reviewed the Group's audited consolidated financial statements for the Year and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to risk management and internal control systems and financial reporting of the Group.

EVENT AFTER THE REPORTING PERIOD

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.skychinafortune.com. An annual report of the Company, containing information required by the Listing Rules, will be despatched to the Shareholders and will be published on the websites of the Stock Exchange and the Company in due course.

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.

On behalf of the Board
Sky Chinafortune Holdings Group Limited
Mr. JIANG Tian
Chairman of the Board

Hong Kong, 25 March 2022

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. JIANG Tian, Ms. HOU Yingxuan, Mr. GONG Biao and Ms. JIANG Jiabao; one non-executive Director, namely, Mr. CHAI Yuet; and three independent non-executive Directors, namely, Mr. HU Jianxing, Mr. TSEUNG Yuk Hei Kenneth and Mr. JI Qing.