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GREATER BAY AREA DYNAMIC GROWTH HOLDING LIMITED

大灣區聚變力量控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020
AND
RESUMPTION OF TRADING**

Reference is made to the announcement of GREATER BAY AREA DYNAMIC GROWTH HOLDING LIMITED (the “Company”) dated 19 April 2021 (the “Unaudited Result Announcement”) regarding the publication of the Company’s unaudited annual consolidated results (“Unaudited Results”) for the year ended 31 December 2020.

Further to the publication of the Unaudited Result Announcement, the board (the “Board”) of directors (the “Directors”) of the Company hereby announces its audited annual consolidated results (“Audited Results”) for the year ended 31 December 2020, together with the corresponding comparative figures for the year ended 31 December 2019 as follows.

The major variances between Audited Results and Unaudited Results could be referred to in the section headed “MAJOR VARIANCE BETWEEN AUDITED RESULTS AND UNAUDITED RESULTS” in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> <i>(Restated)</i>
CONTINUING OPERATIONS			
Revenue	4	67,156	139,949
Cost of sales		<u>(55,823)</u>	<u>(77,992)</u>
Gross profit		11,333	61,957
Other income, gains and losses, net	6	12,336	2,590
Gain on disposal of subsidiaries		55,685	–
Loss on fair value changes of investment properties	13	(37,342)	(37,743)
Impairment loss on property, plant and equipment		(28,992)	(7,356)
Selling and distribution expenses		(284)	(972)
Administrative and other operating expenses		(78,521)	(94,099)
Finance costs	7	<u>(1,762)</u>	<u>(150)</u>
Loss before tax		<u>(67,547)</u>	<u>(75,773)</u>
Income tax credit (expense)	8	<u>9</u>	<u>(1,398)</u>
Loss for the year from continuing operations	10	<u>(67,538)</u>	<u>(77,171)</u>
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	9	<u>(15,892)</u>	<u>(33,725)</u>
Loss for the year		(83,430)	(110,896)
Other comprehensive income (expense) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		16,455	(12,118)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		<u>(19,153)</u>	<u>–</u>
Other comprehensive expense for the year		<u>(2,698)</u>	<u>(12,118)</u>
Total comprehensive expense for the year		<u><u>(86,128)</u></u>	<u><u>(123,014)</u></u>

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i> <i>(Restated)</i>
Loss for the year attributable to:			
Owners of the Company			
Loss for the year from the continuing operations		(57,440)	(65,285)
Loss for the year from the discontinued operation		<u>(14,208)</u>	<u>(30,150)</u>
		<u>(71,648)</u>	<u>(95,435)</u>
Non-controlling interests			
Loss for the year from the continuing operations		(10,098)	(11,886)
Loss for the year from the discontinued operation		<u>(1,684)</u>	<u>(3,575)</u>
		<u>(11,782)</u>	<u>(15,461)</u>
		<u>(83,430)</u>	<u>(110,896)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(70,738)	(106,287)
Non-controlling interests		<u>(15,390)</u>	<u>(16,727)</u>
		<u>(86,128)</u>	<u>(123,014)</u>
Loss per share (HK\$) from continuing and discontinued operations			
Basic and diluted	<i>12</i>	<u>(0.09)</u>	<u>(0.12)</u>
Loss per share (HK\$) from continuing operations			
Basic and diluted	<i>12</i>	<u>(0.07)</u>	<u>(0.08)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		211,996	253,961
Right-of-use assets		2,609	33,746
Investment properties	<i>13</i>	55,000	90,000
		<u>269,605</u>	<u>377,707</u>
Current assets			
Inventories		908	1,488
Trade and other receivables	<i>14</i>	36,088	56,500
Investments held for trading		116	189
Bank balances and cash		1,813,337	1,816,076
		<u>1,850,449</u>	<u>1,874,253</u>
Assets classified as held for sale	<i>9</i>	2,951	49,910
		<u>1,853,400</u>	<u>1,924,163</u>
Current liabilities			
Trade and other payables	<i>15</i>	36,911	81,875
Interest-bearing borrowing	<i>16</i>	22,000	–
Tax payables		18,113	9,859
Lease liabilities		1,863	40,462
Contract liabilities		2,030	1,883
		<u>80,917</u>	<u>134,079</u>
Liabilities associated with assets classified as held for sale	<i>9</i>	1,376	37,053
		<u>82,293</u>	<u>171,132</u>
Net current assets		<u>1,771,107</u>	<u>1,753,031</u>
Total assets less current liabilities		<u>2,040,712</u>	<u>2,130,738</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		24,033	30,055
Lease liabilities		871	2,691
		<u>24,904</u>	<u>32,746</u>
NET ASSETS		<u>2,015,808</u>	<u>2,097,992</u>
Capital and reserves			
Share capital	<i>17</i>	7,892	7,892
Reserves		1,825,112	1,915,580
		<u>1,833,004</u>	<u>1,923,472</u>
Equity attributable to owners of the Company		182,804	174,520
Non-controlling interests		<u>2,015,808</u>	<u>2,097,992</u>
TOTAL EQUITY		<u>2,015,808</u>	<u>2,097,992</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

GREATER BAY AREA DYNAMIC GROWTH HOLDING LIMITED (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company and its subsidiaries (together with the Company collectively referred to as the “Group”) are principally engaged in the businesses of hotel operations and trading of securities.

Other than those subsidiaries established in the People’s Republic of China (the “PRC”) which functional currency is Renminbi (“RMB”), the functional currency of the Company and its other subsidiaries is Hong Kong dollars (“HK\$”). The consolidated financial statements are presented in HK\$ and rounded to the nearest thousands unless otherwise indicated.

Certain comparative figures are reclassified to conform with presentation for the current year.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no significant impact on the consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 Definition of a Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021 ⁶
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

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

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

³ Effective for annual periods beginning on or after a date to be determined.

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

⁵ Effective for annual periods beginning on or after 1 January 2021.

⁶ Effective for annual periods beginning on or after 1 April 2021.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform - Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- **Hedge accounting requirements** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The Group has an interest-bearing borrowing with fixed interest rate which may be subject to the interest rate benchmark reform.

The Group expects there will not be significant gains or losses on the Group's financial liabilities from the reform on application of the amendments.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. REVENUE

The Group owns/leases and operates hotels and provides hotel management and related services. The Group also owns investment properties for property rental business. Revenue recognised in the consolidated financial statements during the year are as follows:

Continuing operations	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Restated)</i>
Hotel operations		
– Hotel rooms	26,884	70,890
– Food & beverage	8,622	21,165
	<hr/>	<hr/>
Revenue from contract with customers	35,506	92,055
Securities trading	–	–
Rental income from leases	31,650	47,655
Dividend income	–	239
	<hr/>	<hr/>
Total revenue	67,156	139,949
	<hr/> <hr/>	<hr/> <hr/>
Revenue from contract with customers by geographical markets		
– the PRC	35,506	92,055
	<hr/> <hr/>	<hr/> <hr/>
Timing of recognition of revenue from contract with customers		
– At a point in time	8,622	21,165
– Over time	26,884	70,890
	<hr/>	<hr/>
	35,506	92,055
	<hr/> <hr/>	<hr/> <hr/>
Discontinued operation (note 9)		
Hotel operations		
– Hotel rooms	22,110	67,785
– Food & beverage	654	7,642
	<hr/>	<hr/>
	22,764	75,427
	<hr/> <hr/>	<hr/> <hr/>

	2020	2019
	HK\$'000	HK\$'000
		<i>(Restated)</i>
Discontinued operation (note 9) (continued)		
Revenue from contract with customers by geographical markets		
– Hong Kong	22,764	75,427
	<u><u>22,764</u></u>	<u><u>75,427</u></u>
Timing of recognition of revenue from contract with customers		
– At a point in time	654	7,642
– Over time	22,110	67,785
	<u>22,110</u>	<u>67,785</u>
	22,764	75,427
	<u><u>22,764</u></u>	<u><u>75,427</u></u>

Performance obligations for contracts with customers

The Group's revenue from contracts with customers consist of hotel rooms and food and beverage.

The transaction price of hotel rooms and food and beverage is the amount collected from the customer for such goods and services. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for food and beverage.

The Group has certain contracts that include multiple goods and services, such as packages that bundle food and beverage and other services with hotel stays. For such arrangements, the Group allocates revenue to each good or service based upon its relative standalone selling price. The Group primarily determines the standalone selling price of hotel rooms and food and beverage based upon the amount that the Group charges when each is sold separately in similar circumstances to similar customers.

The Group elects to apply the practical expedient under HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining obligations for contracts with an expected duration for one year or less or contracts for hotel operations.

Leases

Continuing operations

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
For operating leases:		
Lease payments that are fixed	<u>31,650</u>	<u>47,655</u>

No contingent rental is included in operating lease income.

The Group leases out various offices, warehouses, advertising spaces, restaurants and retail stores under operating leases. The leases typically run for an initial period of one to eight years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of the group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

5. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided and activities carried out by the Group's operating divisions.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

- (1) Hotel operations – hotel accommodation, food and beverage services and rental income from rentals of shop units situated in the hotels of the Group and from rentals of investment properties; and
- (2) Securities trading – trading of equity securities.

Segment revenues and results

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

	Continuing operations			Discontinued	Consolidated
	Hotel operations	Securities trading	Subtotal	Operation	
Year ended 31 December 2020	HK\$'000	HK\$'000	HK\$'000	Hotel operations HK\$'000	HK\$'000
Segment revenue	<u>67,156</u>	<u>-</u>	<u>67,156</u>	<u>22,764</u>	<u>89,920</u>
Segment (loss) profit excluding depreciation of property, plant and equipment and right-of-use assets, impairment loss on property, plant and equipment and loss on fair value changes of investments held for trading	(16,243)	(11)	(16,254)	13,643	(2,611)
Depreciation of property, plant and equipment	(28,803)	-	(28,803)	(142)	(28,945)
Depreciation of right-of-use assets	(382)	-	(382)	(29,393)	(29,775)
Impairment loss on property, plant and equipment	(28,992)	-	(28,992)	-	(28,992)
Loss on fair value changes of investments held for trading	<u>-</u>	<u>(73)</u>	<u>(73)</u>	<u>-</u>	<u>(73)</u>
Segment loss	<u>(74,420)</u>	<u>(84)</u>	<u>(74,504)</u>	<u>(15,892)</u>	<u>(90,396)</u>
<i>Unallocated income and expenses</i>					
Directors' emoluments					(3,321)
Interest income on bank deposits					20,133
Loss on fair value changes of investment properties					(37,342)
Gain on disposal of subsidiaries					55,685
Central administrative costs and unallocated corporate expenses					<u>(28,198)</u>
Loss before tax					<u><u>(83,439)</u></u>

Year ended 31 December 2019	Continuing operations			Discontinued	Consolidated
	Hotel	Securities	Subtotal	Operation	
	operations	trading		Hotel	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	139,710	239	139,949	75,427	215,376
Segment profit excluding depreciation of property, plant and equipment and right-of-use assets, impairment loss on property, plant and equipment and right-of-use assets and loss on fair value changes of investments held for trading	14,796	228	15,024	14,464	29,488
Depreciation of property, plant and equipment	(29,097)	-	(29,097)	(447)	(29,544)
Depreciation of right-of-use assets	(161)	-	(161)	(38,542)	(38,703)
Impairment loss on property, plant and equipment	(7,356)	-	(7,356)	-	(7,356)
Impairment loss on right-of-use assets	-	-	-	(9,200)	(9,200)
Loss on fair value changes of investments held for trading	-	(3,089)	(3,089)	-	(3,089)
Segment loss	(21,818)	(2,861)	(24,679)	(33,725)	(58,404)
<i>Unallocated income and expenses</i>					
Directors' emoluments					(3,548)
Interest income on bank deposits					7,623
Loss on fair value changes of investment properties					(37,743)
Central administrative costs and unallocated corporate expenses					(17,426)
Loss before tax					(109,498)

The presentation of segment revenues and results for the year ended 31 December 2019 were restated to conform with the current year's presentation due to the discontinued hotel operation in Hong Kong. The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of directors' emoluments, interest income on bank deposits, loss on fair value changes of investment properties, gain on disposal of subsidiaries and central administrative costs and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment assets		
Hotel operations	240,966	324,399
Securities trading	123	200
Total segment assets	<u>241,089</u>	<u>324,599</u>
Investment properties	55,000	90,000
Bank balances and cash	1,813,337	1,816,076
Assets classified as held for sale (<i>note 9</i>)	2,951	49,910
Other unallocated assets	<u>10,628</u>	<u>21,285</u>
Consolidated assets	<u><u>2,123,005</u></u>	<u><u>2,301,870</u></u>
Segment liabilities		
Hotel operations	41,675	115,926
Securities trading	–	485
Total segment liabilities	<u>41,675</u>	<u>116,411</u>
Tax payables	18,113	9,859
Deferred tax liabilities	24,033	30,055
Interest-bearing borrowing	22,000	–
Liabilities associated with assets classified as held for sale (<i>note 9</i>)	1,376	37,053
Other unallocated liabilities	<u>–</u>	<u>10,500</u>
Consolidated liabilities	<u><u>107,197</u></u>	<u><u>203,878</u></u>

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

- all assets are allocated to operating segments other than investment properties, bank balances and cash, assets classified as held for sale and other unallocated assets; and
- all liabilities are allocated to operating segments other than tax payables, deferred tax liabilities, interest-bearing borrowing, liabilities associated with assets classified as held for sale and other unallocated liabilities.

Other segment information

Year ended 31 December 2020

	Continuing operations		Discontinued	Unallocated	Consolidated
	Hotel	Securities	Hotel		
	operations	trading	operations		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment loss or segment assets:					
Addition to property, plant and equipment	213	-	-	-	213
Depreciation of property, plant and equipment	28,803	-	142	315	29,260
Depreciation of right-of-use assets	382	-	29,393	1,405	31,180
Impairment loss on property, plant and equipment	28,992	-	-	-	28,992
Loss on disposal of property, plant and equipment	15	-	-	-	15
	<u>213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213</u>

Year ended 31 December 2019

	Continuing operations		Discontinued	Unallocated	Consolidated
	Hotel	Securities	Hotel		
	operations	trading	operations		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment loss or segment assets:					
Addition to property, plant and equipment	476	-	-	-	476
Depreciation of property, plant and equipment	29,097	-	447	276	29,820
Depreciation of right-of-use assets	161	-	38,542	803	39,506
Impairment loss on property, plant and equipment	7,356	-	-	-	7,356
Loss on disposal of property, plant and equipment	29	-	-	-	29
Write-off of trade receivables	934	-	-	-	934
	<u>476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476</u>

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000
Discontinued hotel operation				
– Hong Kong	22,764	75,427	–	33,359
Continuing hotel operations – The PRC	67,156	139,710	267,755	344,348
Continuing securities trading operations				
– Hong Kong	–	239	1,850	–
	<u>89,920</u>	<u>215,376</u>	<u>269,605</u>	<u>377,707</u>

Information about major customers

No single customer contributed over 10% of the total revenue of the Group for both years.

6. OTHER INCOME, GAINS AND LOSSES, NET

	2020 HK\$'000	2019 HK\$'000 (Restated)
Continuing operations		
Loss from changes in fair value of financial assets mandatorily measured as at FVTPL – held for trading	(73)	(3,089)
Loss on deregistration of a subsidiary	–	(2,094)
Net foreign exchange loss	(24)	(713)
Interest income on bank deposits	20,133	7,623
Other services income	1,000	–
Sundry income	1,147	1,826
Loss on disposal of property, plant and equipment	(15)	(29)
Government grant	668	–
Impairment losses on other receivables	(10,500)	–
Write-off of trading receivables	–	(934)
	<u>12,336</u>	<u>2,590</u>

During the year ended 31 December 2020, the Group recognised government grants of HK\$668,000 in respect of Covid-19 related subsidies under the Employment Support Scheme provided by the Government of Hong Kong Special Administrative Region.

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> <i>(Restated)</i>
Continuing operations		
Interest on lease liabilities	208	150
Interest on interest-bearing borrowing	<u>1,554</u>	<u>–</u>
	<u><u>1,762</u></u>	<u><u>150</u></u>

8. INCOME TAX (CREDIT) EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> <i>(Restated)</i>
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	963	3,504
PRC withholding tax	6,850	–
Under provision in prior years:		
PRC Enterprise Income Tax	<u>98</u>	<u>179</u>
	<u>7,911</u>	<u>3,683</u>
Deferred tax:		
Current year	<u>(7,920)</u>	<u>(2,285)</u>
	<u><u>(9)</u></u>	<u><u>1,398</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2020 and 2019.

No provision for taxation in Hong Kong has been made as the Group has no assessable profit arising in Hong Kong for 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 tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2020 and 2019.

PRC withholding tax represents withholding tax on the estimated capital gain tax arising from the disposal of interest in subsidiaries.

9. DISCONTINUED OPERATION/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 23 November 2018, Shropshire Property Limited (“Shropshire Property”), an indirect wholly-owned subsidiary of the Company, and Luoyang Dinghe Electric Construction Company Limited (洛陽鼎和電力建設有限公司) (the “Purchaser”) entered into a sale and purchase agreement (the “Disposal Agreement”), pursuant to which Shropshire Property has conditionally agreed to dispose to the Purchaser of its entire equity interest in Luoyang Golden Gulf Hotel Company Limited (洛陽金水灣大酒店有限公司) (“Luoyang Golden Gulf”), a 60% owned subsidiary of Shropshire Property, and its subsidiary (together as the “Disposal Group”), at a consideration of RMB61,000,000 (equivalent to approximately HK\$68,500,000). On 22 May 2019, the Purchaser and Shropshire Property entered into a supplemental agreement to extend the long stop date to 10 months from the date of the Disposal Agreement, with all terms and conditions remain unchanged. A deposit of RMB21,000,000 (equivalent to approximately HK\$23,906,000) was received by the Company in November 2018 and included in “trade and other payables” as at 31 December 2019.

The major asset of the Disposal Group is Luoyang Golden Gulf Hotel situated in Luoyang in the PRC. The assets and liabilities attributable to the Disposal Group, which was expected to be sold within twelve months subsequent to the end of reporting period 31 December 2019, had been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position at 31 December 2019.

On 26 February 2020, the disposal of the Disposal Group was completed.

The major classes of assets and liabilities of the Disposal Group as at 31 December 2019, which have been classified as held for sale and presented separately in the consolidated statement of financial position, are as follows:

	2019 HK\$'000
Property, plant and equipment	45,328
Inventories	650
Trade and other receivables	2,906
Bank balances and cash	<u>1,026</u>
Assets classified as held for sale	<u><u>49,910</u></u>
Trade and other payables	36,191
Tax payables	130
Deferred tax liabilities	<u>732</u>
Liabilities associated with assets classified as held for sale	<u><u>37,053</u></u>
Non-controlling interests	16,678
Translation reserve	<u><u>(17,806)</u></u>

On 1 January 2021, Rosedale Hotel Group Limited (“Rosedale Hotel Group”), an indirect subsidiary of the Company, and Kocan Investment Limited (“Kocan”) entered into a sale and purchase agreement, pursuant to which Rosedale Hotel Group has agreed to dispose to Kocan of its entire equity interest in Rosedale Park Limited (“Rosedale Park”), a 100% owned subsidiary of Rosedale Hotel Group, at a consideration of the aggregate of HK\$1,106,300 and net current asset value of Rosedale Park at the completion date.

The assets and liabilities attributable to Rosedale Park which is expected to be sold within twelve months subsequent to the end of reporting period 31 December 2020, have been classified as a disposal company held for sale and are presented separately in the consolidated statement of financial position at 31 December 2020.

Since the operation of Rosedale Park represents a separate major geographical area of operations, i.e. hotel operation in Hong Kong, it is therefore reclassified to discontinued operation in the consolidated statement of profit or loss and other comprehensive income. Comparative figures have been restated to conform with the presentation where applicable.

Profit or loss arising from the discontinued operation:

	2020	2019
	HK\$'000	HK\$'000
Revenue	22,764	75,427
Direct operating costs	(42,138)	(76,157)
Gross loss	(19,374)	(730)
Other income and losses	17,585	1,359
Impairment losses on right-of-use assets	–	(9,200)
Distribution and selling expense	(169)	(312)
Administrative and other operating expenses	(12,744)	(21,544)
Finance costs	(1,190)	(3,298)
Loss before tax	(15,892)	(33,725)
Income tax expense	–	–
Loss for the year from discontinued operation	(15,892)	(33,725)

Cash flows from discontinued operation:

	2020	2019
	HK\$'000	HK\$'000
Net cash inflows from operating activities	9,724	15,458
Net cash inflows from investing activities	–	7
Net cash outflows from financing activities	(13,475)	(22,344)
Net cash outflows	(3,751)	(6,879)

Assets and liabilities classified as held for sale:

The major classes of assets and liabilities of Rosedale Park as at 31 December 2020, which have been classified as held for sale and presented separately in the consolidated statement of financial position, are as follows:

	2020
	HK\$'000
Inventories	80
Trade and other receivables	1,398
Bank balances and cash	1,473
Assets classified as held for sale	2,951
Trade and other payables	1,319
Contract liabilities	57
Liabilities associated with assets classified as held for sale	1,376

The disposal was completed after the end of reporting period on 1 January 2021.

10. LOSS FOR THE YEAR

Continuing operations

Loss for the year has been arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> <i>(Restated)</i>
Depreciation of property, plant and equipment	29,118	29,373
Depreciation of right-of-use assets	1,787	964
Total depreciation	<u>30,905</u>	<u>30,337</u>
Auditor's remuneration	2,100	2,847
Cost of inventories recognised as an expense	9,401	15,254
Employee benefits expenses	30,388	51,116
Expense relating to short-term leases and other leases with lease terms ending within 12 months of the date of initial application of HKFRS 16 <i>Leases</i>	–	990
Impairment loss recognised in respect of:		
– Property, plant and equipment	28,992	7,356
– Right-of-use assets	–	9,200
– Other receivables	10,500	–
Gross rental income from investment properties less negligible outgoings (included in revenue)	(15,695)	(23,754)
Hotel management fee	<u>10,308</u>	<u>25,565</u>

11. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 Special dividend – HK\$2.5 cents (2019: 2018 Special dividend HK\$Nil) per share	<u>19,730</u>	<u>–</u>

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: a special dividend of HK\$19,730,000) nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

From continuing operations and discontinued operation

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>71,648</u>	<u>95,435</u>

Number of shares

	2020	2019
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>789,211,046</u>	<u>789,211,046</u>

The computation of diluted loss per share for years ended 31 December 2020 and 2019 does not assume the exercise of the Company's share options since their assumed exercise would result in decrease in loss per share.

From continuing operations

The calculation of the basic and diluted loss per share for the year from the continuing operations attributable to owners of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	71,648	95,435
Less:		
Loss for the year attributable to owners of the Company from discontinued operations	<u>(14,208)</u>	<u>(30,150)</u>
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	<u>57,440</u>	<u>65,285</u>

The denominators used are the number of shares as those detailed above for basic and diluted loss per share.

From discontinued operations

For the year ended 31 December 2020, basic and diluted loss per share for the discontinued operation was HK\$0.02 (2019: HK\$0.04) per share, based on the loss for the year from discontinued operation attributable to owners of the Company of HK\$14,208,000 (2019: HK\$30,150,000) and the number of shares detailed above for the calculation of both basic and diluted loss per share.

13. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
Fair value	
At 1 January 2019	130,000
Exchange adjustments	(2,257)
Net decrease in fair value recognised in profit or loss	<u>(37,743)</u>
At 31 December 2019	90,000
Exchange adjustments	2,342
Net decrease in fair value recognised in profit or loss	<u>(37,342)</u>
At 31 December 2020	<u><u>55,000</u></u>

14. TRADE AND OTHER RECEIVABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
– contracts with customers	1,140	2,644
– operating lease receivables	242	426
	<u>1,382</u>	<u>3,070</u>
Other receivables	42,125	30,558
Less: Impairment losses recognised for the year	<u>(10,500)</u>	<u>–</u>
	<u>31,625</u>	<u>30,558</u>
Rental and utility deposits	1,250	21,025
Prepayments and other deposits	<u>1,831</u>	<u>1,847</u>
Total trade and other receivables	<u><u>36,088</u></u>	<u><u>56,500</u></u>

The following is an aged analysis of trade receivables presented based on the invoice dates.

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	1,063	2,673
31 – 60 days	272	184
61 – 90 days	43	68
Over 90 days	4	145
	<u>1,382</u>	<u>3,070</u>

The Group generally grants credit period up to 30 days to its customers upon issuance of invoice.

At 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$319,000 (2019: HK\$397,000) which are past due as at the reporting date. Out of the past due balances, HK\$4,000 (2019: HK\$145,000) has been past due 90 days or more and is not considered as in default since the Group has reasonable information to support the amounts are fully recoverable.

15. TRADE AND OTHER PAYABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>4,411</u>	<u>5,189</u>
Other payables:		
Deposit received	6,870	29,947
Accrued expenses	11,463	11,854
Other tax payables	556	682
Other payables	<u>13,611</u>	<u>34,203</u>
	<u>32,500</u>	<u>76,686</u>
	<u>36,911</u>	<u>81,875</u>

The following is an aged analysis of trade payables presented based on the invoice date.

	2020	2019
	HK\$'000	HK\$'000
0 – 30 days	1,062	2,507
31 – 60 days	762	1,388
61 – 90 days	442	461
Over 90 days	2,145	833
	<u>4,411</u>	<u>5,189</u>

The credit period on purchases of goods ranged from 30 to 60 days.

16. INTEREST-BEARING BORROWING

The interest-bearing borrowing at 31 December 2020 represents a borrowing from a financial institution with principal balance of HK\$22,000,000 (2019: Nil), carries fixed interest at 15% per annum and repayable within one year. The interest-bearing borrowing is secured by the Group's interests over certain subsidiaries.

17. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 January 2019,		
31 December 2019 and 2020	<u>150,000,000,000</u>	<u>1,500,000</u>
Issued and fully paid		
At 1 January 2019,		
31 December 2019 and 2020	<u>789,211,046</u>	<u>7,892</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Year 2020 was challenging disorderly for the world, with the COVID-19 pandemic and the related containment measure took a drastic toll across businesses. Almost no industry was unaffected by the pandemic. For the year ended 31 December 2020 under review, the continuous upgrade of the highly infectious pandemic has led to a ‘home-based’ economy with substantial travel restrictions and lockdowns across the PRC, and many countries have drastically reduced or even closed air travel with the PRC, particularly delivered a hard hit to the hotel sector, some of our hotels in the PRC which have witnessed significantly lowered occupancies in the first quarter of 2020 amid the lockdowns imposed by the government of the PRC. In addition to the United States (the “US”)-PRC trade & political tensions and the demonstrations on Hong Kong anti-extradition bill protests, together with the pandemic of COVID-19 meant a triple blow to Hong Kong and the PRC’s economy.

Despite signs of global slowdown, with a challenging operating environment as the COVID-19 pandemic and the pressures posed by the US trade negotiation, the PRC has adopted hardcore prevention measures with a series of positive fiscal policies to contain the pandemic spread and to strengthen counter-cyclical adjustment. Judging from that, the execution of these policies went well and the PRC still managed a growth in 2020. The PRC’s gross domestic product (“GDP”) increased by 2.3% in 2020, reflecting a decrease of about 3.7% as compared to 2019, the lowest figure since records began in 1992. Even during the global financial crisis in 2009, the PRC’s quarterly GDP growth did not dip below 6.4%. In the meanwhile, Hong Kong’s economic performance had been shrunk severely, struggling under the prolonged pandemic situation with the labour market conditions deteriorated, which was led to the steep crash in visitors arrivals from Mainland China. Major exhibitions, conferences and events have been cancelled or postponed, heaping further pressure pushed Hong Kong to a technical recession. Hong Kong’s GDP dropped by 6.1% year-over-year in real terms in 2020, after contracted 1.2% in 2019.

Starting from 2019, tourist arrivals to Hong Kong plunged over 50% in its sharpest decline since 2003 SARS crisis. In 2020, total visitors arrivals to Hong Kong amounted to approximately 3.6 million, representing an decrease of 93.6% year-on-year, after dropping by 14.2% in 2019, which accounting for 75.8% of the total were visitors from Mainland China, and those visitors from Mainland China also dropped by 93.8% year-on-year, after decreasing by 14.2% in 2019. Visitors from the traditional short haul markets (excluding Mainland China) dropped by 93.7% year-on-year in 2020. Of the total visitors' arrivals, overnight visitors accounted for approximately 1.4 million, which was a decrease of 94.3% when compared on a year-on-year basis. According to the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the year ended 31 December 2020 decreased from approximately 79.1% to 46.1%, recorded a significant occupancy loss. Compared to occupancy, the overall room rate dropped by approximately 26.5% yearly in 2020.

FINANCIAL REVIEW

During the year ended 31 December 2020, the Group's business and financial performance had been significantly and adversely by the pandemic of COVID-19 with the travel restrictions, revenue of the Group attained HK\$ 67.2 million for the year ended 31 December 2020, representing a decrease of 52.0% as compared to HK\$140.0 million for the year ended 31 December 2019. The results of the Group for the year ended 31 December 2020 was a loss of HK\$83.4 million (Year ended 31 December 2019: loss of HK\$110.9 million) which was mainly attributable to gross profit of HK\$11.3 million (Year ended 31 December 2019: gross profit of HK\$62.0 million) and other income and gains of HK\$12.3 million (Year ended 31 December 2019: HK\$2.6 million), gain on disposal of subsidiaries of HK\$55.7 million (Year ended 31 December 2019: Nil) and income tax credit of HK\$9,000 (Year ended 31 December 2019: income tax expense of HK\$1.4 million) offset by administrative and other operating expenses of HK\$78.5 million (Year ended 31 December 2019: HK\$94.1 million) ; selling and distribution expenses of HK\$0.3 million (Year ended 31 December 2019: HK\$1.0 million) ; finance costs of HK\$1.8 million (Year ended 31 December 2019: HK\$0.2 million) ; impairment loss on property, plant and equipment of HK\$29.0 million (Year ended 31 December 2019: HK\$7.4 million); loss on fair value changes of investment properties of HK\$37.3 million (Year ended 31 December 2019: HK\$37.7 million) and loss from discontinued operation of HK\$15.9 million (Year ended 31 December 2019:Nil).

The performance of the Group's hotel operations and securities trading during the year ended 31 December 2020 under review, the commentary on the hotel sector and the changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the succeeding sections headed "Business Review" and "Prospects".

BUSINESS REVIEW

(a) Hotel Operations

During the year ended 31 December 2020, the continuing hotel operations mainly comprises the operations of two “Rosedale” branded 4-star rated hotels located in Guangzhou and Shenyang. Overall revenue generated from hotel investment decreased by 52.0% to HK\$67.2 million for the year ended 31 December 2020 (Year ended 31 December 2019: HK\$140.0 million). To combat the competitive environment, the Group will continue to invest resources to enhancing its market network and positioning and, in the meantime, will further streamline its business operations to contain costs efficiently.

(b) Securities Trading

The segment recorded a loss of HK\$0.1 million for the year ended 31 December 2020 (Year ended 31 December 2019: segment loss of HK\$2.9 million), mainly representing the fair value loss of investments held for trading, as a result of mark to market valuations as at the balance sheet date.

MATERIAL ACQUISITIONS AND DISPOSALS

On 23 November 2018, an indirect wholly-owned subsidiary of the Company (the “Subsidiary”) and an independent third party (the “Purchaser”) entered into a disposal agreement (the “Disposal Agreement”), in relation to the possible disposal of 60% equity interests in Luoyang Golden Gulf Hotel Company Limited (the “Target Company”), a limited liability company established in the PRC and owned as to 60% by the Subsidiary, and its subsidiary (together as the “Disposal Group”) at a consideration of RMB 61 million (equivalent to approximately HK\$68.5 million) (the “Consideration”). The Purchaser paid the Subsidiary RMB21 million (equivalent to approximately HK\$23.9 million) upon both parties signed the Disposal Agreement. On 22 May 2019, the Purchaser and the Subsidiary entered into a supplemental agreement to extend the long stop date to 10 months from the date of the Disposal Agreement, with all terms and conditions remain unchanged. Further details were set out in the announcements of the Company dated 26 November 2018, 17 December 2018, 31 December 2018, 18 January 2019, 4 February 2019, 8 March 2019, 4 April 2019, 26 April 2019, 24 May 2019, 21 June 2019, 19 July 2019, 23 August 2019, 20 September 2019, 25 September 2019, 25 October 2019 and 4 November 2019. The Disposal Agreement was approved by the shareholders of the Company at the special general meeting held on 10 December 2019 and it was completed on 26 February 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's cash and bank balances and investments held for trading amounted to HK\$1,813.5 million (31 December 2019: HK\$1,816.3 million). The Group has an interest-bearing borrowing amounted to HK\$22.0 million (31 December 2019: Nil)

The Group's current assets and current liabilities as at 31 December 2020 were HK\$1,853.4 million and HK\$82.3 million (31 December 2019: HK\$1,924.2 million and HK\$171.1 million), respectively. As a result, the current ratio of the Group as at 31 December 2020 was 22.5 (31 December 2019: 11.2). The gearing ratio as at 31 December 2020, expressed as a percentage of total borrowing to equity attributable to owners of the Company, was 0.01 (31 December 2019: Nil).

As at each of 31 December 2020 and 31 December 2019, over 95% of the Group's cash and bank balances and investments held for trading were denominated in Hong Kong dollar and United States dollar, and the balance of approximately 3.9% (31 December 2019: 4.2%) were in Renminbi.

CHARGE ON ASSETS

As at 31 December 2020, the interest-bearing borrowing was secured by the Group's interests over certain subsidiaries.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at each of 31 December 2020 and 31 December 2019.

FOREIGN CURRENCY EXPOSURE

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollar and Renminbi. During the year ended 31 December 2020, the Group has not entered into any hedging arrangements. However, the Group will actively consider the use of relevant financial instruments to manage currency exchange risks in line with our business development.

INTEREST RATE EXPOSURE

During the year ended 31 December 2020, the Group was not subject to the risk of significant interest rate volatility. The Company will continue to monitor the interest rate markets and actively consider the application of relevant financial instruments to manage risks associated with interest rates.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2020, the Group had 479 employees of which 416 employees were stationed in the PRC. Employees' remuneration packages were determined in accordance with individual's responsibility, competence and skills, qualifications, experience and performance as well as market pay-level. Staff benefits include training programs, provident fund scheme, medical insurance and other competitive fringe benefits.

To provide incentives and rewards to employees, the Company has adopted a share option scheme for the eligible participants (including employees).

PROSPECTS

After an extremely difficult year in 2020, the business environment continues to be highly challenging as we head into 2021 amid uncertain pace of vaccinations for COVID-19. Given the international travel is particularly vulnerable under the pandemic, a poor outlook for the hotel and tourism sectors is still to be expected. For now, the PRC has avoided new bigger waves of infection that delayed progress elsewhere and has pushed ahead in economic recovery, driven by rising domestic demand. Other than the impacts of the pandemic, it is important to note that the tension between the U.S. and the PRC remains intense.

COVID-19 is a major humanitarian challenge, that has led the travel and tourism sectors almost came to a halt. New procedures, standards and processes, either temporary or long term have been newly set, which has led to a generational shift in the way the world operates. At the same time, the hotel sector is moving forward towards a 'new normal', with unprecedented health and safety measures in place. Thus, we have begun consolidating internal operational efficiency in response to change in the markets. Our central mission is restoring consumers' confidence, which must be to give every guest of our hotels the confidence and reassurance that they are safe when they stay with us.

Following the expiration of the lease of Rosedale Hotel Hong Kong and the disposal of Luoyang Golden Gulf Hotel, there remains two hotels under the management of the Group. As the path of the pandemic remains highly uncertain, the revenue of the Group will continue to be impacted during a period when the Group is taking strict precautionary measures to ensure the health and safety of its employees, and supporting the steps taken by the government to control the further spread of COVID-19. Although the COVID-19 vaccination is in place all around the developed nations, the management of the Company does not expect a recovery of the hospitality market in the forthcoming year. Beside seeking further high quality hotel investment opportunities, the Group shall commence to involve in the property development and investment market in the Guangdong Province in particular the Greater Bay Area. The Group see this business segment shall benefit the Company and to generate a better return for the Company and our shareholders.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for the year ended 31 December 2020 (2019: Nil).

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

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

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group, have been reviewed by the audit committee of the Company (the "Audit Committee") and audited by the auditor of the Company (the "Auditor"), TANDEM (HK) CPA Limited.

AUDIT OPINION

The Auditor has issued a qualified opinion on the consolidated financial statements of the Group for the period under audit. An extract of the independent auditor's report is set out in the section headed "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020" below.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Opening balances and corresponding figures of Luoyang Golden Gulf Hotel Company Limited (洛陽金水灣大酒店有限公司) (“Luoyang Golden Gulf”) and its subsidiary (together the “Disposal Group”)

As disclosed in notes 10 and 31(a) to the consolidated financial statements, the Group disposed of the Disposal Group on 26 February 2020 (the “Disposal Date”) with a gain on disposal of HK\$44,912,000 recognised in the profit or loss in the current year. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves concerning those opening balances of the Disposal Group as at 31 December 2019.

As the opening balances of the Disposal Group significantly affected the determination of the Group’s performance, we were unable to determine whether adjustments to the Group’s loss for the year ended 31 December 2020, the opening accumulated losses of the Group, the opening balances of assets and liabilities classified as held for sale, the non-controlling interests and translation reserve attributable to the Disposal Group as at 31 December 2019 might be necessary.

The balance of assets and liabilities that were classified as held for sale, the non-controlling interests and the translation reserve attributable to the Disposal Group as at 31 December 2019 and the results for the year ended 31 December 2019 of the Disposal Group are as follows:

	<i>HK\$’000</i>
Property, plant and equipment	45,328
Inventories	650
Trade and other receivables	2,906
Bank balance and cash	1,026
Trade and other payables	(36,191)
Tax payables	(130)
Deferred tax liabilities	(732)
	<hr/> <hr/>
Non-controlling interests	16,678
Translation reserve	(17,806)
	<hr/> <hr/>
	<i>HK\$’000</i>
Loss for the year	585
Exchange difference arising on translation of foreign operation	619
	<hr/>
Total comprehensive expense for the year	1,204
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As we are the incoming auditor of the Group's consolidated financial statements for the year ended 31 December 2020, we were unable to obtain certain books and records and be provided with sufficient and appropriate documents of the Disposal Group to carry out audit procedures that we could satisfy ourselves that the carrying amounts in respect of the assets and liabilities of the Disposal Group, the non-controlling interests and the translation reserve attributable to the Disposal Group at the Disposal Date, the gain on disposal of HK\$44,912,000 recognised in the Group's profit or loss in the current year, and Group's income and expenses, other comprehensive expense and cash flows movement for the period from 1 January 2020 to the Disposal Date in relation to the Disposal Group were free from material misstatements.

Our opinion on the current year's consolidated financial statements is modified because of the possible effect of this matter on the current year's figures and the corresponding figures. Any adjustments found to be necessary to these amounts might affect the Group's consolidated financial performance, changes in equity, movement in consolidated cash flows and the related disclosures in the notes to the consolidated financial statements for the year ended 31 December 2020.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "*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 qualified opinion.

ADDITIONAL INFORMATION RELATING TO THE QUALIFIED OPINION

In view of the disposal of the Disposal Group (the "Disposal"), the Company has retained certain basic business records of the Disposal Group, including but not limited to (i) the management accounts as at 31 December 2019 and as at the Disposal Date and (ii) the agreements and documentation in connection with the Disposal (collectively referred to as the "Basic Records").

The Auditors did not find the Basic Records to be of a sufficient level for audit purposes. Instead, the Auditors would need to obtain more specific business records of the Disposal Group, including but not limited to (i) detailed ledgers and sub-ledgers; (ii) supporting documents of business transactions, such as invoices, receipts and purchase orders; and (iii) inventories records (collectively, the "Specific Records"). These Specific Records are in sheer volume and are used to be kept by the Disposal Group in the PRC. Subsequent to the completion of the Disposal, the Purchaser and the Disposal Group were undergoing organisation restructuring. Neither the Company nor the Auditors were able to access the Specific Records of the Disposal Group.

THE AUDIT COMMITTEE’S VIEW TOWARDS THE AUDIT QUALIFICATION

With regards to the Audit Qualification, (i) the Audit Committee communicated with the Auditor in detail during the meeting on 30 April 2021; (ii) the Audit Committee also reported the situation to the Board during the Board meeting on the same date; (iii) the Audit Committee and the Board both agreed that the matter is non-recurring; and (iv) neither the Company’s corporate governance, nor the impartiality of the Board and management, was impaired.

The Company further confirms that the Audit Committee has reviewed and agreed with the Board’s position concerning the Audit Qualification.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company had complied with the code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) during the year ended 31 December 2020, except for the following deviations:

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. For the period from 1 January 2020 to 6 August 2020, Dr. Yap, Allan (resigned with effect from 7 August 2020) was the Chairman of the Company. Upon the resignation of Dr. Yap, the position of Chairman was vacant until the appointment of Mr. Tam Chung Sun as the Chairman of the Company with effect from 19 October 2020.

Code Provision A.4.1

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at each annual general meeting in accordance with the bye-laws of the Company (“Bye-Laws”). The Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those prescribed by code provision A.4.1, and does not intend to take any steps in this regard at the moment.

Code Provision C.1.2

Under code provision C.1.2 of the CG Code, the management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Monthly updates of the Company for the period from January to February 2020 were not provided to the Directors as the Company's major hotels, its employees and facilities are located in the PRC which had been affected by the outbreak of COVID-19 since December 2019. During the period from January to February 2020, the offices at the PRC were largely suspended operations. As a result, the Company was unable to complete the preparation of the Company's consolidated accounts, and did not provide monthly performance of the Company to the Directors.

Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. The former Chairman of the Company, Dr. Yap, Allan, was unable to attend the annual general meeting of the Company held on 28 May 2020 ("2020 AGM") as he had other business engagement. Mr. Lai Tsz Wah, the Managing Director of the Company, attended and took the chair of the 2020 AGM in accordance with Bye-law 68 of the Bye-Laws and answered questions from shareholders of the Company ("Shareholders").

MAJOR VARIANCE BETWEEN AUDITED RESULTS AND UNAUDITED RESULTS

Reference is made to the Unaudited Results Announcement regarding the unaudited annual results ("Unaudited Results") of the Group for the year ended 31 December 2020.

As at the date of the Unaudited Results Announcement, more time was required by the Company for the finalisation of the management accounts, collection of further information and completion of certain procedures for financial reporting and auditing, in particular the valuation of certain fixed assets, and hence the Unaudited Results have not yet been agreed with the auditor of the Company.

Listed out below are the variances between Audited Results and Unaudited Results for reference:

- (a) Decrease of carrying amount of investment properties by HK\$20,000,000 resulting from further impairment made and reflected by (i) an increase in loss on fair value changes of investment properties of HK\$21,133,000; and (ii) an increase in exchange gain of HK\$1,133,000 arising on translation of foreign operations recorded in the consolidated statement of profit or loss and other comprehensive income;
- (b) Increase in gain on disposal of subsidiaries of HK\$6,850,000 by grossing up the income tax expense of HK\$6,850,000;
- (c) Reclassification of other payables of HK\$6,850,000 to tax payables; and

- (d) The remaining insignificant differences on (i) increase in revenue of HK\$3,819,000; (ii) increase in cost of sales of HK\$501,000; (iii) decrease in administrative and other operating expenses of HK\$1,869,000; (iv) increase in other receivables of HK\$3,512,000; (v) decrease in bank balance of HK\$744,000; (vi) decrease in other payables of HK\$2,092,000 and (vii) decrease in exchange gain of HK\$326,000 arising on translation of foreign operations were the aggregate results due to certain transactions which occurred in a subsidiary of the Group but yet to be recorded/finalised in respective books at the time when the Unaudited Results were prepared.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (“2021 AGM”) is scheduled to be held on 30 June 2021. The notice of 2021 AGM will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company, and despatched to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the 2021 AGM, the register of members of the Company will be closed from 24 June 2021 to 30 June 2021, both days inclusive. All transfer of shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 23 June 2021.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company (the “Shares”) on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 pending the release of this annual results announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 May 2021.

By order of the Board
**GREATER BAY AREA DYNAMIC
GROWTH HOLDING LIMITED**
Tam Chung Sun
Chairman

Hong Kong, 30 April 2021

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Tam Chung Sun (*Chairman*)
Mr. Lai Tsz Wah (*Managing Director*)
Mr. Liu Hao

Independent Non-executive Directors:

Mr. Kwok Ka Lap, Alva
Mr. Poon Kwok Hing, Albert
Mr. Sin Chi Fai