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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 2020

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 2020 (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 2020

(Expressed in Hong Kong dollars (“HK\$”))

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in HK\$)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Expressed in HK\$)

	Note	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Investment properties	9	606,764	571,095
Property, plant and equipment		9,652	2,577
Right-of-use assets		24,883	4,990
Intangible assets		1,677	—
Trademarks		134	152
Trade and other receivables, prepayments and deposits	10	13,495	9,584
		<u>656,605</u>	<u>588,398</u>
<b>Current assets</b>			
Properties held for sale		1,269	1,189
Inventories		3,905	—
Trade and other receivables, prepayments and deposits	10	4,891	6,756
Tax recoverable		10	92
Short-term bank deposits		69,476	56,616
Bank balances and cash		28,554	46,389
		<u>108,105</u>	<u>111,042</u>
<b>Current liabilities</b>			
Trade and other payables and accrued expenses	11	26,001	23,979
Rental deposits received		113	134
Lease liabilities		4,108	2,234
Tax payable		18	—
		<u>30,240</u>	<u>26,347</u>
<b>Net current assets</b>		<u>77,865</u>	<u>84,695</u>
<b>Total assets less current liabilities</b>		<u>734,470</u>	<u>673,093</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 31 December 2020**(Expressed in HK\$)*

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(Expressed in HK\$)

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*For the year ended 31 December 2020*

*(Expressed in HK\$)*

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

## NOTES

*For the year ended 31 December 2020*

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results for the year ended 31 December 2020 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 2019 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 2020 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 HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

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

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

##### Amendments to HKFRS 3, *Definition of a Business*

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



## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### 1.1 Accounting policies (Continued)

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

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

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

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

## 2. REVENUE

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

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

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

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.

#### **Continuing operations**

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

#### **Discontinued operation**

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

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

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

For the purpose of monitoring segment performances 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

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

### 3. SEGMENT INFORMATION (CONTINUED)

#### Segment assets and liabilities

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

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

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

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

### 3. SEGMENT INFORMATION (CONTINUED)

#### Other segment information

	Continuing operations				Total <i>HK\$'000</i>
	Property investment <i>HK\$'000</i>	Trading of properties and property related services <i>HK\$'000</i>	Retail business <i>HK\$'000</i>	Corporate/ Unallocated <i>HK\$'000</i>	
<b>For the year ended</b>					
<b>31 December 2020</b>					
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 (note 4)	(76)	(1)	(15)	(1,085)	(1,177)
Income tax expense (note 6)	3,762	32	3	—	3,797

### 3. SEGMENT INFORMATION (CONTINUED)

#### Other segment information (Continued)

	Property investment <i>HK\$'000</i>	Continuing operations			Total <i>HK\$'000</i>	Discontinued operation
		Trading of properties <i>HK\$'000</i>	Retail business <i>HK\$'000</i>	Corporate/ Unallocated <i>HK\$'000</i>		Automobile business <i>HK\$'000</i>
<b>For the year ended</b>						
<b>31 December 2019</b>						
Additions to property, plant and equipment	55	—	90	1,445	1,590	395
Additions to investment properties	22,850	—	—	—	22,850	—
Additions to trademarks	—	—	—	62	62	—
Amortisation of trademarks	—	—	—	17	17	—
Depreciation of property, plant and equipment	173	—	3	839	1,015	6
Depreciation of right-of-use asset	—	—	52	1,409	1,461	988
Gain from early termination of a lease	—	—	—	—	—	(2,159)
Loss on disposal of property, plant and equipment	—	—	—	—	—	7,722
Write-off of other receivables	—	—	—	—	—	262
Net valuation gain on investment properties	(10,621)	—	—	—	(10,621)	—
Net exchange loss	—	—	—	237	237	—
Bank interest income ( <i>note 4</i> )	(49)	—	—	(1,582)	(1,631)	(11)
Income tax expense/(credit) ( <i>note 6</i> )	5,409	(87)	2	71	5,395	—

#### Geographical information

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

#### 4. OTHER INCOME

##### From continuing operations

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income ( <i>note 3</i> )	1,177	1,631
Government subsidies	378	—
Sundry	62	9
	<u>1,617</u>	<u>1,640</u>

#### 5. PROFIT BEFORE TAXATION

##### From continuing operations

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(a) <b>Finance costs</b>		
Interest on lease liabilities	<u>516</u>	<u>85</u>

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

## 5. PROFIT BEFORE TAXATION (CONTINUED)

### From continuing operations (Continued)

*Note:*

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

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

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

For continuing operations, the total cost charged to profit or loss of HK\$924,000 (2019: HK\$928,000) represents contributions paid/payable to the above retirement benefit schemes, by the Group during the year.

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



## 6. INCOME TAX

Income tax represents:

*From continuing operations*

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

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

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

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

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

## 7. (LOSS)/EARNINGS PER SHARE

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

	2020	2020	2020	2019	2019	2019
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	operations	operation		operations	operation	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year attributable to equity shareholders of the Company	<u>(3,527)</u>	<u>—</u>	<u>(3,527)</u>	<u>4,537</u>	<u>(9,707)</u>	<u>(5,170)</u>
				<b>Number of shares</b>		
				<b>2020</b>		2019
Weighted average number of ordinary shares in issue during the year				<u>345,374,910</u>		<u>345,374,910</u>

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

## 8. DIVIDENDS

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

## 9. INVESTMENT PROPERTIES

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

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.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Properties situated outside Hong Kong under:		
— Medium-term lease	<u>606,764</u>	<u>571,095</u>

## 9. INVESTMENT PROPERTIES (CONTINUED)

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

#### *Fair value hierarchy*

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

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

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

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

#### *Valuation process*

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

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

## 9. INVESTMENT PROPERTIES (CONTINUED)

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

#### *Valuation methodologies*

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

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

*As at 31 December 2020*

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

## 9. INVESTMENT PROPERTIES (CONTINUED)

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

#### *Valuation methodologies (Continued)*

*As at 31 December 2019*

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

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

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

## 10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

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

### (a) Trade and lease receivables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and lease receivables	1,387	2,305
Less: Loss allowance	<u>—</u>	<u>—</u>
Trade and lease receivables, net	<u><u>1,387</u></u>	<u><u>2,305</u></u>

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

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.

## 10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

### (a) Trade and lease receivables (Continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	1,387	1,337
31–60 days	—	968
	<u>1,387</u>	<u>2,305</u>

### (b) Prepayments, deposits and other receivables

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

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.



## 11. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	<b>123</b>	—
Other payables and accrued expenses	<u><b>25,878</b></u>	<u>23,979</u>
	<u><b>26,001</b></u>	<u>23,979</u>

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:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	<u><b>123</b></u>	<u>—</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Group Review

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

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

### Business Review

#### Continuing Operations

##### *Property Investment*

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

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

##### *Residential premises*

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

### *Shops and car parks*

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

### ***Trading of Properties and Property Related Services***

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

#### *Trading of properties*

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

#### *Property related services*

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

### ***Retail Business***

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

\* For identification purpose only.

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

## **Discontinued Operation**

### ***Automobile Business***

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

## **Regional Information**

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

## **Prospects**

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

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

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

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

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

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

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

## **Financial Review**

### **Continuing Operations**

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

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

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

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

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

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

### **Discontinued Operation**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

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

## **GEARING RATIO**

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

## **CAPITAL COMMITMENT**

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

## **CHARGES ON ASSETS**

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

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

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

## **KEY RISKS AND UNCERTAINTIES**

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

### **Foreign Exchange Risk**

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

### **Liquidity Risk**

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

### **Operational Risk**

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

### **Impact of Government Policies and Regulations**

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



### **Manpower and Retention Risk**

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

### **Third-Party Risk**

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

### **Business Risk**

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

### **Significant Investments**

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

### **Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures**

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

### **Compliance with Laws and Regulations**

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

## **Relationships with Stakeholders**

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

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

## **EMPLOYEE AND REMUNERATION POLICIES**

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

## **CONTINGENT LIABILITY**

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

## **ENVIRONMENTAL POLICIES**

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

## **TREASURY POLICIES**

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

## **DIVIDEND**

The Board has resolved not to recommend the payment of a final dividend for the Year (2019: 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 Friday, 4 June 2021 (the "AGM"), the register of members of the Company will be closed from Monday, 31 May 2021 to Friday, 4 June 2021 (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 Friday, 4 June 2021 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, 28 May 2021.

## **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.

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

Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds up to 31 December 2020	Unutilised proceeds	Expected timeline for utilised net proceeds (Note 1)
First Placing	Approximately HK\$74.72 million	For (i) general working capital; and/or  (ii) financing future investment or new business development as and when opportunities arise	(i) Approximately HK\$50.89 million had been applied towards the general working capital of the Group (i.e. rental expenses, remuneration of Directors and employees, legal and professional fees and other administrative expenses); and  (ii) Approximately HK\$22.85 million had been used for the settlement of the consideration of the acquisition of 11 contiguous double deck shop units with a two-storey retail building located in Liaoning Province, the PRC and its related taxes and expenses	Approximately HK\$0.98 million will be applied as general working capital of the Group  Nil	By 2021

Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds up to		Expected timeline for utilised net proceeds (Note 1)
			31 December 2020	Unutilised proceeds	
Second Placing	Approximately HK\$46.67 million	For (i) general working capital; and/or  (ii) financing future investment or new business development as and when opportunities arise	(i) Nil; and  (ii) Approximately HK\$12.31 million and HK\$12.10 million had been used for the automobile business and the retail business, respectively	Approximately HK\$22.26 million will be used as intended for financing new business development when the opportunity arises (including but not limited to the expansion of the retail business)	By 2022

*Note 1:* The expected timeline for utilising the unutilised proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

## 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 the 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, except for the deviation from code provision A.2.1 as discussed below.

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

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

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

## 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 as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ dealings in the securities of the Company. Having made specific enquiry of all Directors, each of the Directors confirmed that he/she complied with the 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 incident of non-compliance was noted by the Company during the Year.

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 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 compared 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 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## **DECISION ON THE STOCK EXCHANGE ON RULE 13.24**

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

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

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

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

## **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](http://www.hkexnews.hk) and the Company at [www.skychinafortune.com](http://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, 26 March 2021

*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.*