# 偉祿集團控股有限公司
# REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 1196

Annual Report 2020

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive Directors**

Lin Xiaohui *(Chairman)*
Su Jiaohua *(Chief Executive Officer)*
Lin Xiaodong

**Independent Non-executive Directors**

Yu Leung Fai
Fang Jixin
Li Jue

## AUDIT COMMITTEE

Yu Leung Fai *(Chairman)*
Fang Jixin
Li Jue

## REMUNERATION COMMITTEE

Li Jue *(Chairman)*
Lin Xiaohui
Yu Leung Fai

## NOMINATION COMMITTEE

Lin Xiaohui *(Chairman)*
Yu Leung Fai
Fang Jixin

## COMPANY SECRETARY

Chan Chu Kin

## LEGAL ADVISER

Michael Li & Co.

## INDEPENDENT AUDITORS

Grant Thornton Hong Kong Limited
Level 12, 28 Hennessy Road
Wanchai, Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Guangdong Huaxing Bank
Guangzhou Rural Commercial Bank
United Overseas Bank Limited
Hong Kong Branch

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## STOCK CODE

1196

## COMPANY WEBSITE

http://www.realord.com.hk

# CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to report the financial results of the Group for the year ended 31 December 2020.

## RESULTS

During the year under review, the Group recorded a total revenue of approximately HK$869.3 million, representing a year-on-year increase of approximately 4.9% (2019: approximately HK$828.9 million). Gross profit increased by around 6.9% year-on-year to approximately HK$201.1 million (2019: approximately HK$188.1 million). Consolidated net profit after income tax achieved a turnaround and amounted to approximately HK$892.3 million (2019: a net loss after income tax of approximately HK$404.7 million). Based on the weighted average of 1,438,209,880 shares in issue during the year, basic earnings per share was HK61.55 cents (2019: basic loss per share of HK28.89 cents).

The significant improvement in the Group's net profit was mainly attributable to a net gain on fair value changes of the Group's investment properties of approximately HK$2,463.4 million during the year under review (2019: a net loss on fair value changes of approximately HK$202.6 million). The significant amount of net gain on fair value changes of the Group's investment properties was mainly attributable to the appreciation in value of the Group's property located in Qiankeng Industrial Zone, Longhua District of Shenzhen, the PRC (the "Qiankeng Property"), of which the approval in principle in respect of the proposed urban redevelopment plan thereon involving a change in land use from industrial to residential use was granted by the relevant government authority in August 2020.

The gain was partially offset by (i) the income tax expenses of approximately HK$557.7 million (2019: income tax credit of approximately HK$26.1 million) mainly as a result of the deferred taxation arising from the net gain on fair value changes of investment properties; and (ii) the net exchange loss of approximately HK$318.6 million incurred (2019: net exchange gain of approximately HK$91.6 million) mainly due to the appreciation of Renminbi ("RMB") against Hong Kong dollars ("HK$") which was arisen from the remeasurement of liabilities of the Group denominated in RMB upon translation to HK$ at the report date; and (iii) the increase in finance costs by approximately HK$96.3 million mainly resulted from the increase in bank borrowings for the year under review. The gain on re-measurement of previously held interests in an associate of approximately HK$709.4 million and the loss on early redemption of promissory notes of approximately HK$439.8 million as recorded for the financial year 2019 were not recurred during the year under review.

## DIVIDEND

The Directors do not recommend the payment of interim and final dividend (2019: Nil) for the year ended 31 December 2020. Total dividend for the year is nil (2019: Nil).

# CHAIRMAN'S STATEMENT

## OUTLOOK

The outbreak of COVID-19 started from early 2020 and the prevail of the pandemic throughout the year has proved to cast unprecedented impacts and disruptions on business sentiments and financial markets worldwide. Although there were signs showing that the global economy has been slowly emerging from the collapse triggered by COVID-19 pandemic, the recovery in 2021 is likely to be prolonged and subdued given the arise of variants of the epidemic and pandemic control may pose uncertainties. Moreover, the stance on China-US relations under the new United States administration is yet to be indicated after the completion of the United States presidential election in late 2020.

Properties investment has been one of the major development strategies for the Group's overall business deployment and development goal. Currently, the Group holds certain investment properties in Shenzhen, the PRC, including but not limited to the two major projects namely Realord Villas in Longhua District, and Realord Technology Park in Guangming District. We saw new development progress in our property projects despite the challenges cast by the COVID-19 pandemic during the year under review. Renovation works of the business apartment building and shopping mall "Realord Mall" of our Realord Villas Project, which were initially scheduled to commence in June 2020, were delayed with a current target to complete by the third quarter of 2021. Nonetheless, leasing of the investment properties of Realord Villas Project continued, and there were a number of newly signed tenants included renowned supermarket, chained convenience store, restaurants, pharmacy store and laundry shop. Potential tenants such as big catering groups are also in talks. For the Realord Technology Park, the Group has submitted the application of land extension of Phase II of the project to the related government authorities. Phase I of the Realord Technology Park, which comprises office buildings, is planned to develop along with Phase II when the government approval is granted.

We expect that the development of the Group's property projects will be further bolstered by the PRC government's development plan towards Shenzhen in the years to come. In particular, the Group sees enormous potential in the investment value of urban renewal projects in Shenzhen. Apart from the two abovementioned property projects, the Group also engaged in the investment of three urban renewal projects in major administrative districts in Shenzhen, namely Guanzhang Electronic Factory Urban Renewal Project ("Qiankeng Property"), Laiying Garden Urban Renewal Project ("Laiying Garden") and Qianhai Weilu Cross-Border Logistic Park Urban Renewal Project ("Zhangkengjing Property"). The redevelopment plan of Qiankeng Property, which is regarded as a major renewal project of Longhua District, was principally agreed by the Urban Renewal Bureau in August 2020. The Group has been approved as the authorised developer of the project by the related government authorities in January 2021. Demolition of the existing factory and infrastructures has commenced, while selection of design and construction proposals has been carrying out by the Group in the first quarter of 2021. In regard of Laiying Garden situated at Nanshan District, demolition of the existing residential units and infrastructures has been scheduled to commence in the second half of 2021. Meanwhile, application of change of land use of Zhangkengjing Property from industrial to commercial and residential for redevelopment purpose is still under review by relevant government authorities.

It is also the Group's development strategy to build a one-stop financial services platform with competitive advantage on branding and market positioning at the Greater Bay Area. During the reporting period, the financial services segment became the major revenue growth driver among the business segments, and operation of such business saw a well-rounded improvement. In particular, the Group recorded exceptional performance in its primary market business and secondary market business during the year under review through actively participating in IPO projects as joint bookrunner and underwriter and achieving a favourable growth in brokerage fees resulted from a significant growth in securities transaction volume, respectively. A fourfold increase in the number of newly opened securities accounts was also recorded. Moreover, corporate finance advisory services are provided mainly by Optima Capital which is a 60%-owned subsidiary since April 2019.

Driven by various financial measures adopted in different places worldwide to stimulate economic recovery such as quantitative easing and expansionary fiscal policy, coupled with the market sentiment towards the China-US economic tensions which potentially drives US-listed Chinese companies to get listed in Hong Kong, the Group remains positive about the prospects of Hong Kong financial and IPO markets in 2021 despite the challenges and uncertainties that may still emerge in the capital market during the gradual recovery from the COVID-19 pandemic. The Group will continue its efforts to expand its footprint in the Hong Kong primary and secondary markets, and to enhance the variety of investment products and geographical markets in achieving a more comprehensive portfolio in the year to come.

Remained to be the Group's major revenue contributor during the year, the EP segment reported a slight drop in sales revenue due to more stringent environment protection policy implemented in the PRC, and achieved lower procurement and sales volume of scrap materials as affected by the COVID-19 pandemic. In response to the implementation of the PRC government policy, metal scrap materials processing of the Group has been relocated to our processing plant in Japan since 2019, and as a result the operational costs of our EP segment surged as compared to that being carried out in the PRC in previous years. Meanwhile, processing and sales volume were lower due to country lockdown and suspension of labour force in Malaysia during the pandemic. Net profit recorded a significant year-on-year drop due to higher operational costs and a slide in copper price.

Following the expansion of the scale of its processing plant in Osaka, Japan in 2020, the Group believes that production and processing capabilities of the operation plant would be largely enhanced with additional site area and infrastructures in place. The Group expects that higher and more stable sourcing and processing capacity, and greater variety of product offerings could be further achieved in the near future.

Looking into 2021, the Group endeavors to broaden its sourcing network, while increase the varieties and markets of its clientele. The Group is exploring opportunities to conduct business with certain state-owned enterprises in the PRC, and investigating the potential of markets such as Indonesia and the Philippines. The Group will also look into alternatives particularly when the pandemic recovery takes place, such as deploying additional operation points in Kyushu in Japan, and seeking suitable venue options to develop a processing plant for smelting scrap materials with an aim to further lessen operational costs and improve profitability while sustain growth of the EP business.

Demand of motor vehicle parts remained stable as more consumers inclined to have repair to initiatives to their vehicles in lieu of purchasing new ones during the year. Following the development strategy to expand the scale of its MVP business, the Group was able to secure sufficient product supplies before the COVID-19 outbreak, hence it succeeded to maintain a stable product supply to retaining old customers while attracting new customers despite the challenges brought by the COVID-19 pandemic such as tight containers supply and delayed shipments. A growth in sales revenue was achieved thereby for the MVP segment. In 2021, the Group will continue its efforts on increasing MVP sales while maintaining the stability of its procurement network amid the challenges brought by COVID-19 pandemic.

The Group sees potential threats and challenging outlook for both the commercial printing industry and hangtag industry in the mid- to long-run. The Group will continue to evaluate such business operations in the year to come, and implement cost-controlling measures whenever necessary.

The Group believes that the relatively volatile business environment due to the prolonged pandemic will continue to affect the Group's businesses to certain extent in 2021. Nonetheless, the Group remains cautiously optimistic towards the post-pandemic rebound as a result of new and stronger initiatives to combat the COVID-19 pandemic, such as the emergence of vaccines and more stringent controlling measures carried out in different countries. Amidst the potential uncertainties due to the global pandemic and China-US tensions, the Group is optimistic that there are still ample development opportunities for its various business segments in 2021. The Group will continue to adopt a prudent approach in achieving steady business development while exploring suitable strategic investment opportunities with an aim to maximise the returns to its Shareholders.

# CHAIRMAN'S STATEMENT

## APPRECIATION

On behalf of the Board of Directors, I would like to extend my heartfelt gratitude to all our staff for their dedication and contributions, and to our customers, suppliers and business associates, and most importantly our shareholders for their unwavering support to the Group amid the challenging operational environment.

By Order of the Board
**Lin Xiaohui**
*Chairman*

Hong Kong, 22 March 2021

## NANSHAN DISTRICT

### 1. Laiying Garden (萊英花園) Urban Renewal Project (known as "Laiying Garden")

Laiying Garden is the Group's first high-rise residential and commercial property development project in Nanshan District, Shenzhen, which will be developed into a residential and commercial complex comprising residential units, apartments, retail shops and entertainment and leisure facilities. It is located in Nanshan Science and Technology Park and financial district, and is only approximately 700 meters away from the Hi-Tech Park Station (高新園站) of Shenzhen Metro Line 1.

## LONGHUA DISTRICT

### 2. Guanzhang Electronic Factory (冠彰電器廠) Urban Renewal Project (known as "Qiankeng Property")

Guanzhang Electronic Factory Urban Renewal Project, which is situated at Fucheng Jie Dao, Longhua District, Shenzhen, is a residential project being implemented and developed by the Group in Longhua District. The project is an affordable commodity housing project (residential/ commercial) of which land use was changed from industrial use to residential use. It is proximate to the Zhucun Station (竹村站) of the northern extension of Shenzhen Metro Line 4 which is under construction, therefore it is expected to be benefited from the urban renewal in Longhua District.

### 3. Realord Villas (偉祿雅苑) – Realord Mall (偉祿購物中心) (previously named as "偉祿Vcity")

Realord Villas is the Group's first residential and commercial complex project in Longhua District, Shenzhen. It is located on Huanguan South Road, Guanhu Jie Dao, Longhua District, Shenzhen, and is conveniently situated less than 100 meters away from the High-tech Zone East Station (高新區東站) of Shenzhen Tram which is connected to Shenzhen Metro Line 4. The project, with a total gross floor area of approximately 230,000 square meters, comprises 2,016 residential units, a business apartment building, a shopping mall, retail shops and car parking spaces, of which, the residential units are the corporation talent housing allocated and sold by the government, while the business apartment building, shopping mall, retail shops and car parking spaces with a gross floor area of approximately 51,039 square meters are held by the Group. Realord Mall, the shopping mall inside Realord Villas, will be the Group's first community mall project which is built as a business and shopping center that integrates local amenities, entertainment and leisure, parent-child education and specialty food and beverage experience, in order to create a warm and convenient space for a better community life.

### 4. Qianhai Weilu Cross-Border Logistic Park (前海偉祿跨境物流園) Urban Renewal Project (known as "Zhangkengjing Property")

Zhangkengjing Project is an industrial property held by the Group located at Zhangkengjing, Longhua District, Shenzhen. In February 2017, the Group made an application to 龍華區城市更新局 (Longhua District Urban Renewal Bureau) to change the land use of the project from industrial use to residential apartments and commercial use. According to the notice issued by the government authority, the application is being processed and reviewed by the relevant authorities and is still under review as at the reporting date. The property is currently used for leasing purpose.

## GUANGMING DISTRICT

### 5. Realord Technology Park (偉祿科技園)

Realord Technology Park Project is located at Guangming Jie Dao, Guangming District, Shenzhen, occupying a site area of approximately 20,000 square meters. Phase 1 of the project consists of an office building with a gross floor area of approximately 60,000 square meters. It is proximate to the Fenghuang Town Station (鳳凰城站) of Shenzhen Metro Line 6. In light of the trend of developing high-end industries and the fact that Guangming District is being developed as a regional innovation hub in Shenzhen, and in order to seize the opportunities brought about by the development of high-tech industry, the Group intends to position the park as an integrated venture platform which provides comprehensive one-stop services to high-tech small and medium enterprises.

The principal activities of the Group during the year under review included property investment and development and commercial operation (the "Property Segment"); financial services, included corporate finance advisory, asset management, securities brokerage services, margin financing and money lending (the "Financial Services Segment"); environmental protection industry, mainly dismantling, processing, trading and sales of scrap materials (the "EP Segment"); distribution and sales of motor vehicle parts (the "MVP Segment"); financial printing, digital printing and other related services (the "Commercial Printing Segment"); and sales of hangtags, labels, shirt paper boards and plastic bags (the "Hangtag Segment").

**Overall Financial Review**

During the year under review, the Group recorded a total revenue of approximately HK$869.3 million, representing an increase of approximately 4.9% as compared to that of the last year of approximately HK$828.9 million. The Group recorded a profit of approximately HK$892.3 million for the year as compared to that of a loss of approximately HK$404.7 million for the last year.

The Group's revenue during the year under review was mainly contributed by the EP Segment, the MVP Segment and the Financial Services Segment. Revenue contributed by the EP Segment, the MVP Segment and the Financial Services Segment represented approximately 62.6%, 18.3% and 9.4% of the total revenue of the Group, respectively. The remaining revenue of the Group was contributed by the Commercial Printing Segment of approximately 8.4% and the Property Segment of 1.3% respectively. The revenue of the Hangtag Segment was minimal to the Group. The Group's increase in revenue during the year under review was mainly due to the increase in revenue from the Financial Services Segment by approximately HK$41.3 million and the MVP Segment by approximately HK$52.3 million as compared to that of the last year. However, such increase in the overall Group's revenue was partially offset by the decrease in revenue in the EP Segment by approximately HK$48.1 million and the Commercial Printing Segment by approximately HK$5.1 million. Reasons for the changes in the relevant segment revenues are set out in the sections below.

The consolidated net profit after income tax of the Group for FY2020 amounted to approximately HK$892.3 million, as compared to a net loss after income tax of approximately HK$404.7 million in FY2019. The significant improvement in the Group's results was mainly attributable to a net gain on fair value changes of the Group's investment properties of approximately HK$2,463.4 million during FY2020 as compared to a net loss on fair value changes of approximately HK$202.6 million in FY2019. The significant amount of net gain on fair value changes of the Group's investment properties was mainly attributable to the appreciation in value of the Group's property located in Qiankeng Industrial Zone, Longhua District, Shenzhen, the People's Republic of China (the "Qiankeng Property"), of which the approval in principle in respect of the proposed urban redevelopment plan thereon involving a change in land use from industrial to residential use was granted by the relevant government authority in August 2020. The abovementioned effect on the Group's results for the FY2020 was partially offset by (i) the income tax expense of approximately HK$557.7 million charged for the FY2020 (FY2019: income tax credit of approximately HK$26.1 million) mainly as a result of the deferred taxation arising from the net gain on fair value changes of investment properties; and (ii) the net exchange loss of approximately HK$318.6 million incurred for the FY2020 (FY2019: net exchange gain of approximately HK$91.6 million) mainly due to the appreciation of Renminbi ("RMB") against Hong Kong dollars ("HK$") which was arisen from the remeasurement of liabilities of the Group denominated in RMB upon translation to HK$ at the report date; and (iii) the increase in finance costs by approximately HK$96.3 million for the FY2020 as compared to the FY2019 mainly resulted from the increase in bank borrowings. The gain on re-measurement of previously held interests in an associate of approximately HK$709.4 million and the loss on early redemption of promissory notes of approximately HK$439.8 million as recorded in the Group's consolidated statement of profit or loss for the FY2019 were not recurred in the FY2020.

## FINANCIAL REVIEW FOR EACH SEGMENT

### The Property Segment

The revenue of the Property Segment was mainly generated from the rental income of the Group's investment properties. In FY2019, the Group generated aggregate rental income of approximately HK$10.6 million, while in FY2020 the revenue from this segment recorded a gentle increase to approximately HK$10.9 million, representing a year-on-year increase of 3.0%. During the year under review, the Group offered a rent reduction period to tenants in the PRC following the outbreak of COVID-19. However, the increase in the number of tenants in, and hence the rental income from Realord Villas outweighed the effect of such rent reduction.

The Property Segment recognised a significant growth in segment profit by approximately 28 times on a year-on-year basis, whereby a segment profit of approximately HK$2,050.8 million was generated in FY2020 as compared to that of approximately HK$73.3 million recorded in FY2019. The increase was mainly due to the overall revaluation gain of the Group's investment properties of approximately HK$2,463.4 million during FY2020 (FY2019: revaluation loss of approximately HK$202.6 million). The net increase in the fair value of investment properties of approximately HK$2,463.4 million for FY2020 was mainly attributable to an appreciation in value of the Qiankeng Property of which the approval in principle in respect of the proposed urban redevelopment plan thereon involving a change in land use from industrial to residential use was granted by the relevant government authority in August 2020. Apart from that, the property market in the PRC was relatively stable following the recovery of economy of the PRC from the COVID-19 pandemic whereas the property market in Hong Kong experienced a slight decline as affected by the prevailing COVID-19 pandemic during FY2020. The gain on re-measurement of previously held interests in an associate of approximately HK$709.4 million as recorded were not recurred in the FY2020.

**The Financial Services Segment**

The revenue from the Financial Services Segment reached approximately HK$82.1 million in FY2020, which was doubled from that of approximately HK$40.9 million in FY2019. The significant growth was mainly attributable to (i) the consolidation of full year results of Optima Capital Limited ("Optima Capital") in FY2020 as compared to that of eight-month results in FY2019 since the completion of the acquisition of 60% issued share capital thereof in April 2019; and (ii) the Group's provision of more comprehensive services to its customers, such as placing agent, underwriting services as joint bookrunner of certain initial public offering ("IPO") projects as well as margin financing services and money lending. The segment recorded an operating profit of approximately HK$6.1 million for FY2020 as compared to that of approximately HK$12.6 million in FY2019. The decrease in profit was mainly due to the provision for expected credit loss of approximately HK$22.5 million in FY2020 as compared to that of reversal of provision for expected credit loss of approximately HK$2.9 million in FY2019. The significant increase in the provision was mainly attributable to the commencement in provision of money lending services to individuals in FY2020.

The Group, together with 5 other independent third parties, had also applied for the approval from the China Securities Regulatory Commission ("CSRC") of the establishment of a security company in Guangzhou Pilot Free Trade Zone, which is currently under review of CSRC. The Company will update the shareholders with the progress of the application when and as appropriate.

**The EP Segment**

Since tightening control policy implemented by the PRC government continued in FY2020 in relation to imports of scrap materials, the Group persisted its strategy to establish its solid scrap material sourcing and processing operations overseas, including Malaysia and Japan. During FY2020, revenue from the EP segment reduced by approximately 8.1% to approximately HK$544.1 million (FY2019: approximately HK$592.2 million). It was mainly attributable to an overall drop in copper price throughout the year and lockdown of cities in the PRC, Malaysia and Japan following the outbreak of COVID-19, which limited the sales activities of the Group in FY2020. The operating profit for the EP Segment for the year also reduced by approximately 70.9% to HK$13.0 million from that of approximately HK$44.7 million recorded in the previous year, which was mainly attributable to the high startup and production cost incurred by Realord Environmental Protection Japan Co. Ltd. ("Realord EP Japan") and the decline in copper price during the year under review.

**The MVP Segment**

Despite the outbreak of COVID-19 pandemic, the MVP Segment maintained a stable supply to its customers, which was benefited by the Group's efforts on securing its motor vehicle parts supply since late FY2019. As a result, the revenue of MVP Segment raised by approximately 48.8% in FY2020 to HK$159.3 million (FY2019: HK$107.0 million). Notwithstanding the increase in revenue, the profit was decreased from approximately HK$10.1 million in FY2019 to approximately HK$6.4 million in FY2020. It was mainly due to the reversal of provision of expected credit loss of HK$7.0 million in FY2019 resulting from better credit control exercised on receivables collection in FY2019, of which the effect was not recurred in FY2020.

**The Commercial Printing Segment**

The uncertain business environment caused by the outbreak of COVID-19 pandemic in FY2020 has adversely affected the capital market sentiment, and hence reduced the demand for our services, which hindered the business development efforts of the Group to improve its profitability. As such, the revenue from the Commercial Printing Segment decreased by approximately 6.6% to approximately HK$72.7 million in FY2020 (FY2019: HK$77.9 million). The Group maintained a marginal operating profit of approximately HK$0.4 million in FY2020 (FY2019: HK$0.7 million).

**The Hangtag Segment**

The revenue contribution of the Hangtag Segment to the Group was relatively minimal at approximately HK$0.2 million in FY2020 (FY2019: HK$0.3 million). The operating loss derived from this segment was relatively minimal during both years of FY2019 and FY2020.

**Others**

The Group invests in listed securities in Hong Kong for trading purpose and other club and school debentures in Hong Kong. As at 31 December 2020, the financial assets at fair value through profit or loss amounted to approximately HK$15.3 million. The total net realised gain on the disposal of financial assets at fair value through profit and loss amounted to approximately HK$2.8 million for FY2020.

**Liquidity, Financial Resources and Capital Structure**

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities and facility provided by the ultimate holding company. The Group is financially sound with healthy cash position. Its cash and bank balances as at 31 December 2020 amounted to approximately HK$1,268.3 million (31 December 2019: HK$585.1 million) which were mainly denominated in HK$ and RMB (31 December 2019: HK$ and RMB).

The gearing ratio of the Group as at 31 December 2020 was approximately 309.6% (31 December 2019: 369.1%), based on the interest-bearing borrowings denominated in HK$ and RMB (31 December 2019: HK$ and RMB) of approximately HK$10,852.2 million (31 December 2019: HK$8,656.7 million) and divided by the equity attributable to the owners of the Company of approximately HK$3,505.5 million as at 31 December 2020 (31 December 2019: HK$2,345.1 million). The interest-bearing bank borrowings carried interest rate ranging from 2.15% to 7.60% per annum (31 December 2019: 2.15% to 7.60% per annum) with maturity ranging from within 1 year to 30 years (31 December 2019: within 1 year to 30 years).

The Directors consider that the Group's cash holding, liquid assets, future revenue, available banking facilities and the facility provided by the ultimate holding company will be sufficient to fulfill the present working capital requirements of the Group.

**Foreign Exchange**

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro, Japanese Yen and Renminbi; while the Group held cash of approximately RMB516.5 million reserved for operating and treasury purpose as at 31 December 2020.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro, Japanese Yen and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and used foreign currency forward contracts for hedging purpose during the year ended 31 December 2020. The Group did not use any financial instruments for hedging purpose as at 31 December 2020.

**Financial Guarantees and Charges on Assets**

As at 31 December 2020, corporate guarantees amounting to approximately HK$9,860.2 million (31 December 2019: HK$7,720.1 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Among which corporate guarantees amounting to approximately HK$9,655.0 million (31 December 2019: HK$7,430.4 million) were given to banks in the PRC by the Company for the provision of general banking facilities granted to its PRC subsidiaries. Besides, the general banking facilities granted by the banks to the subsidiaries of the Company were secured by legal charges on certain investment properties and leasehold land and buildings owned by the Group with a total net book value of approximately HK$11,839.2 million (31 December 2019: HK$8,024.8 million) and approximately HK$365.7 million (31 December 2019: HK$354.4 million).

## BUSINESS REVIEW AND OUTLOOK

The outbreak of COVID-19 started from early 2020 and the prevail of the pandemic throughout the year has proved to cast unprecedented impacts and disruptions on business sentiments and financial markets worldwide. Although there were signs showing that the global economy has been slowly emerging from the collapse triggered by COVID-19 pandemic, the recovery in 2021 is likely to be prolonged and subdued given the arise of variants of the epidemic and pandemic control may pose uncertainties. Moreover, the stance on China-US relations under the new United States administration is yet to be indicated after the completion of the United States presidential election in late 2020.

The Group believes that the relatively volatile business environment due to the prolonged pandemic will continue to affect the Group's businesses to certain extent in 2021. Nonetheless, the Group remains cautiously optimistic towards the post-pandemic rebound as a result of new and stronger initiatives to combat the COVID-19 pandemic, such as the emergence of vaccines and more stringent controlling measures carried out in different countries. Amidst the potential uncertainties due to the global pandemic and China-US tensions, the Group is optimistic that there are still ample development opportunities for its various business segments in 2021. The Group will continue to adopt a prudent approach in achieving steady business development while exploring suitable strategic investment opportunities with an aim to maximise the returns to its Shareholders.

Set out below is the review and outlook of each segment of the Group's business.

**The Property Segment**

Short-term rent concessions had been given by the Group to certain tenants of the Group's investment properties in view of the COVID-19 pandemic, particularly during the first half of 2020 when there was prevail lockdown in a number of PRC cities.

The Group holds certain investment properties in Shenzhen, the PRC, including but not limited to that located in Realord Villas in Longhua District and that located in Realord Technology Park, Guangming District during the reporting period. Both investment properties are located in administrative districts which had been designated for speedy economic development by the local PRC government. The development of these properties is expected to be further bolstered by the PRC government's development plan for the districts in the years to come.

- *Realord Villas Project*

  The Group holds commercial properties in Realord Villas Project, comprising a business apartment building, a shopping mall known as "Realord Mall", retail shops, car parking spaces and other related facilities. Following the operation commencement of the northern extension (Qinghu Station - Niuhu Station) of Shenzhen Metro Line 4 in October 2020, it is expected that the accessibility of Realord Villas Project would be further enhanced given it is conveniently situated less than 100 meters away from the High-tech Zone East Station of Shenzhen Tram which is connected to Shenzhen Metro Line 4. Moreover, accessibility of the Project may be further optimized in the future, given that Guanhu Station of the proposed Shenzhen Urban Rail Line 22, as suggested by the "Detailed Traffic Plan of Shenzhen Urban Rail Line 22" compiled by the Shenzhen Municipal Bureau of Planning and Natural Resources in April 2020, will be situated adjacent to "Realord Mall".

  The renovation works of the business apartment building and shopping mall, which were initially scheduled to commence in June 2020, were delayed during the year as a result of the COVID-19 outbreak and are targeted to complete in the third quarter of 2021. Leasing of the investment properties is underway. Signed tenants included renowned supermarket, chained convenience store, restaurants, pharmacy store and laundry shop. Potential tenants such as big catering groups are also in talks.

- *Realord Technology Park*

  Realord Technology Park is positioned to become an integrated venture capital platform in incubating innovative enterprises. According to the outline plan (《深圳市人民政府關於支持光明科學城打造世界一流科學城的若干意見》) drafted by the Shenzhen Municipal Planning and Natural Resources Bureau and Guangming District Government in April 2020, the Shenzhen Municipal People's Government supports to build a "Guangming Science City" in Guangming District. By 2025, the 99-square-kilometer science city is expected to take shape as a world-class science city gathering a number of world-class scientific facilities and innovative enterprises, and is projected to be a core functional area of the Guangdong-Hong Kong-Macao Greater Bay Area international innovation and technology hub. Located at Guangming District and proximate to the Fenghuang Town Station of Shenzhen Metro Line 6 inaugurated in August 2020, Realord Technology Park would be well-positioned to seize potential development opportunities arise in that area.

The Group has submitted the application of land extension of Phase II of the Realord Technology Park to the related government authorities. Phase I of the Realord Technology Park, which comprises office buildings, is planned to develop along with Phase II when the government approval is granted.

- *Urban Renewal Projects*

1. Qiankeng Property (Guan Zhang Electronic Factory) – Urban Renewal Project

   The Qiankeng Property was acquired by the Group in June 2016. With the application submitted to Shenzhen Longhua District Urban Renewal Bureau on the change of land use from industrial to commercial and residential for redevelopment purpose in May 2017, the Group obtained the agreement in principle from relevant government authorities in respect of the Qiankeng Property in early 2020 that such redevelopment would be changed from indemnificatory housing to affordable commodity housing. The redevelopment plan of Qiankeng Property, which is regarded as a major renewal project of Longhua District, was principally agreed by the Urban Renewal Bureau in August 2020. The Group has been approved as the authorised developer of the project by the related government authorities in January 2021. Selection of design and construction proposals has been carrying out by the Group in the first quarter of 2021. Demolition of the existing factory and infrastructures has commenced in the first quarter of 2021.

2. Laiying Garden – Urban Renewal Project

   The Group was selected by relevant stakeholders as the market developer of the redevelopment of Laiying Garden located in Nanshan District, Shenzhen. Demolition of the existing residential units and infrastructures will be commenced in the second half of 2021.

3. Zhangkengjing Property

   The Group acquired the Zhangkengjing property in September 2015, and applied to change its land use from industrial to commercial and residential for redevelopment purpose in February 2017. The application is being reviewed by the relevant government authorities as at the reporting date. Property units are currently used for rental purpose.

**The Financial Services Segment**

With its development strategy of building a one-stop financial services platform with competitive advantage on branding and market positioning at the Greater Bay Area, the Group has committed to provide diversified financial services, included Hong Kong securities brokerage and margin financing, IPO bookrunner and underwriting, shares placing, asset and wealth management, money lending and etc. during the reporting period. Corporate finance advisory services are also provided mainly by Optima Capital which is a 60%-owned subsidiary since April 2019.

During the reporting period, the financial services segment has been the major revenue growth driver among other business segments, and operation of such business saw a well-rounded improvement. Realord Asia Pacific Securities Limited took an active role in the primary market in 2020, and participated in 10 IPO projects as joint bookrunner and underwriter and 9 international placing projects. In regard of its secondary market business, there was a significant growth in securities transaction volume, which has led to a favourable year-on-year growth in brokerage fees. A fourfold increase in the number of newly opened securities accounts was also recorded. Meanwhile, strengthened margin financing services has resulted in higher interest income during the reporting period. For the asset management arm, a new investment fund was launched in the first half of 2020.

Stock market performance in Hong Kong during the year has shown strong resilience despite challenges brought by the COVID-19 outbreak. Driven by financial measures adopted in different places worldwide to stimulate economic recovery such as quantitative easing and expansionary fiscal policy, coupled with the market sentiment towards the China-US economic tensions which potentially drives US-listed Chinese companies to get listed in Hong Kong, the Group remains positive about the Hong Kong financial and IPO markets in 2021. The Group will continue its efforts to expand its footprint in the Hong Kong primary and secondary markets, and to enhance the variety of investment products and geographical markets in achieving a more comprehensive portfolio in the year to come. Meanwhile, with an aim to further improve user experience and raise brand awareness, the Group is in the course of optimizing its software systems in relation to securities transaction while expanding its sales and marketing force.

**The EP Segment**

The EP segment remained to be the Group's major revenue contributor during the year. Sales revenue recorded a slight drop due to more stringent environment protection policy implemented in the PRC, and lower procurement and sales volume of scrap materials achieved by the Group as affected by the COVID-19 pandemic. The PRC government has adopted a new legislation concerning the "Prevention and Control of Solid Waste Pollution in China" (《中華人民共和國固體廢物污染環境防治法》) since September 2020, whereby all solid waste including waste metals, amongst others, are prohibited from importation into China in order to achieve zero import of solid waste by the end of 2020. Consequently, the permit for importation of "Type 6 scrap copper materials" to China was no longer available. In response to the implementation of the PRC government policy, metal scrap materials processing of the Group has been relocated to our processing plant in Japan since FY2019, and as a result the operational costs of our EP segment surged as compared to that being carried out in the PRC in previous years. Meanwhile, processing and sales volume were lower due to country lockdown and suspension of labour force in Malaysia during the pandemic. Net profit recorded a significant year-on-year drop due to higher operational costs and a slide in copper price.

In facilitating the growth of its EP business and expanding overseas EP network, the Group has set up Realord EP Japan in Osaka, Japan in 2019, with operation of dismantling, processing, trading and sales of scrap materials commenced. To expedite its operation scale, Realord EP Japan has entered into a service agreement, a lease agreement and a purchase agreement respectively with Tsugawa Metal Co., Ltd. ("Tsugawa Metal") in May 2020 in providing processing and dismantling services by 41 workers and related technical and logistics support, leasing 3 pieces of land with an aggregate GFA of approximately 16,000 square meters and buildings and infrastructure erected thereon (collectively, the "Leased Assets"), and purchasing fixed assets comprising 33 machinery items. Due to the change of Leased Assets' ownership of Tsugawa Metal to Japan Ulan Holdings Limited ("Japan Ulan"), Realord EP Japan has entered into a termination agreement with Tsugawa Metal to terminate the relevant lease agreement, and entered into a new lease agreement with Japan Ulan in relation to the continued lease of the Leased Assets, and the lease of additional site area (amounted to a total GFA of 19,609 square meters with the original 3 land parcels as stipulated in the relevant lease agreement) and infrastructure on the same land parcels in connection with the existing production site in November 2020. With such initiative that follows its development strategy of expanding the scale of EP operation in Japan, the Group believes that production and processing capabilities of the operation plant in Japan would be largely enhanced with additional site area and infrastructures in place.

Looking into 2021, the Group endeavors to broaden its sourcing network, while increase the varieties and markets of its clientele. The Group is exploring opportunities to conduct business with certain state-owned enterprises in the PRC, and investigating the potential of markets such as Indonesia and the Philippines. Meanwhile, with the operation of its processing plant in Japan on track, the Group expects that higher and more stable sourcing and processing capacity, and greater variety of product offerings could be further achieved. The Group will also look into alternatives particularly when the pandemic recovery takes place, such as deploying additional operation points in Kyushu in Japan, and seeking suitable venue options to develop a processing plant for smelting scrap materials with an aim to further lessen operational costs and improve profitability while sustain growth of the EP business.

### The MVP Segment

Demand of such motor vehicle parts remained stable as more consumers inclined to have repair initiatives to their vehicles in lieu of purchasing new ones during the year. The MVP Segment saw a moderate growth in revenue yet a drop in segment profit during the reporting period. With countries underwent lockdown, borders and ports closed, and more COVID-19 precautionary measures for imported goods in place and quarantine measures implemented (particularly to the motor vehicle parts importing from the European countries) under the COVID-19 outbreak, containers supply has become tight with shipments delayed, hence a timely product supply has become more challenging. Following its development strategy to expand the scale of its MVP business, the Group was able to secure sufficient product supplies before the COVID-19 outbreak, hence it succeeded to maintain a stable product supply to retaining old customers while attracting new customers despite the pandemic. A growth in sales revenue was achieved thereby for the MVP segment. As the Group closely monitored the account receivables turnover, a quicker turnover rate was achieved during the COVID-19 pandemic. However, such measure resulted in lower net profit margin.

In 2021, the Group will continue its efforts on increasing MVP sales while maintaining the stability of its procurement network amid the challenges brought by COVID-19 pandemic.

### The Commercial Printing Segment

Fundraising activities of small and medium-sized corporates in the capital market were affected and delayed during the COVID-19 pandemic. Number of IPO customers for the Group's Commercial Printing Segment dropped slightly which has cast certain impacts to the segment revenue and profit during the reporting period. Increasing cost control pressure from customers has also led to slimmer profit for the Commercial Printing Segment.

The Group sees potential threats, particularly rising operation costs, for the commercial printing industry in the mid- to long-run. Moreover, capital market uncertainties and the recovery of business activities from the COVID-19 pandemic in 2021 may also cast unforeseeable impacts to the commercial printing business. The Group will continue to evaluate the business segment and implement cost-controlling measures whenever necessary.

### The Hangtag Segment

In view of the sluggish market demand and dim outlook of the Hangtag Segment, the Group will continue to assess the continuity of the business operation in the year to come.

## CONTINGENT LIABILITIES

The Group has no significant contingent liabilities as at 31 December 2020.

## EVENTS AFTER REPORTING PERIOD

On 15 May 2020, Realord Asia Pacific Securities Limited, a non wholly-owned subsidiary of the Company, intended to make, on behalf of the Company, a voluntary conditional cash offer (the "Offer") to acquire all the issued shares of The Sincere Company, Limited ("Sincere"), a listed company in Hong Kong (stock code: 0244). The making of the Offer is still subject to the satisfaction or waiver (as the case may be) of certain pre-conditions (the "Pre-Conditions"). As at the date of this report, save for Pre-Condition (ii) in relation to the no-bid confirmation having been obtained, all the Pre-Conditions remain outstanding. In relation to Pre-Condition (i), the applications to the Insurance Authority for the requisite approval of the proposed change of "controllers" (within the meanings of the Insurance Ordinance) were duly made and all necessary submissions and applications for the fulfilment of Pre-Condition (i) on the part of the Company have been made by the Company. On 25 February 2021, a corresponding application with regard to such proposed change of "controllers" was submitted by legal advisor of Sincere to the Insurance Authority.

For further details, please refer to the joint announcements of the Company and Sincere dated 15 May 2020, 5 June 2020, 17 June 2020, 17 July 2020, 4 August 2020, 4 September 2020, 6 October 2020, 6 November 2020, 7 December 2020 and 7 January 2021, respectively, and the announcements issued by the Company dated 9 February 2021, 26 February 2021 and 10 March 2021, respectively, and the circular of the Company dated 23 July 2020, in relation to, among other matters, the Offer.

Further announcement(s) setting out the progress and any material developments in relation to the Offer will be made as and when necessary in accordance with the Listing Rules and the Takeovers Code and/or on a monthly basis until the despatch of the offer document of the Offer.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Concentration risk

The five largest customers of the Group contributed approximately 49.4% of the total turnover of the Group for the year; while the five largest suppliers of the Group contributed approximately 74.7% of the total purchases of the Group for the year. The concentration of sales and purchases on certain customers and suppliers may pose risk to the Group operation in that failure in any of these customers and suppliers may have adverse financial effect on the Group.

### Credit risk

The account receivables/receivables arising from securities broking/loan receivables amounted to HK$769.8 million as at 31 December 2020, which comprise trade receivables amounted to HK$449.4 million, receivables arising from securities broking amounted to HK$163.4 million and loan receivables amounted to HK$157.1 million.

The receivables arising from securities broking comprise balances receivable from cash client and margin client. The cash clients are required to place deposits before execution of any purchase transactions and are due within the settlement period which are usually within a few days from the trade date. The credit risk arising from the amounts due from cash clients is considered to be low. The amounts due from margin clients are repayable on demand and the margin clients are required to place securities and/or cash deposits as collateral. On a daily basis, the management monitored market conditions and adequacy of collateral of each margin client. Margin calls and forced liquidation are made where necessary.

The trade receivables are normally granted with credit terms; while the loan receivables are granted based on the clients' credit quality and will be repaid according to the agreed date of repayment. The Group recognises a loss allowance for the expected credit losses ("ECL") on the account receivables to reflect credit risk. However, the default or significant increase in credit risk of any of these clients would adversely impact the financial results and position of the Group.

**Market risk**

*Investment properties*

The Group held significant assets classified as investment properties for earning rental income and capital appreciation. Revaluation of investment properties would be conducted regularly by independent qualified professional valuers at reporting date and any surplus/deficiency was recorded as fair value gain or loss in the statement of profit or loss. Fair value of investment properties could be affected by a number of factors, such as property market condition, interest rate, political environment, etc. The change in fair value could significantly affect the financial results and position of the Group.

*Financial assets*

The Group held certain financials assets for trading purpose, the fluctuation in stock price of the portfolio of listed securities could significantly affect the profitability of the Group. According to the HKFRSs, the gain/loss on listed securities should be booked as fair value gain or loss on financial assets at fair value through profit or loss in the statement of profit or loss. The fluctuation in stock price could impact the Group's profitability. The directors will closely monitor the stock market and make changes to the investment portfolio in order to maximize shareholders' return.

## LAWS AND REGULATIONS

Laws and regulations in relation to the financial services sector, environmental protection sector and workplace quality may have a material effect on the Group's principal activities.

**Operation in regulatory sector**

The Financial Services Segment of the Group operates in a highly regulated sector. The risk of non-compliance with regulatory requirements could lead to the loss of operating licenses.

The EP Segment of the Group operates under relevant environmental protection regulations, non-compliance with the regulatory requirements changes will affect the Group's operation significantly. Therefore, we make it a top priority to stay up to date on new laws and regulations, and to ensure compliance with the relevant rules and regulations. The Group has implemented policies and procedures designed to ensure compliance with the most relevant laws and regulations.

We did not identify any material non-compliance or breach of the relevant regulations for our financial services business and environmental protection business.

**Workplace Quality**

The Group believes that continued business success relies on the full contribution and support of our employees. We are dedicated to promoting equal opportunities for all of our employees in different areas, including recruitment, compensation and benefits, training, staff promotion, transfer, and dismissal. All employees are assessed based on their ability, performance and contribution, irrespective of their nationality, race, religion, gender, age or family status.

The Group is committed to the health, safety and welfare of our employees. We pledge full compliance in all occupational health and safety legislations and we have implemented an effective and safe working environment for our employees.

We did not identify any material non-compliance or breach of labour or other relevant legislations.

**Environmental Protection**

The Group is committed to protecting and sustaining the environment through reduced consumption of electrical power and paper. We are committed to upholding high environmental standards to fulfill relevant requirements under applicable laws or ordinances.

We did not identify any material non-compliance or breach of relevant standards, rules and regulations on air and greenhouse gas emission, discharges into water and land, generation of hazardous or non-hazardous water, etc.

## RELATIONSHIP WITH EMPLOYEES

The Group recognises employees as the most important assets of the Group. The contribution and support of employees are valued at all times. The Group regularly reviews the remuneration policies according to the market benchmarks, financial results and individual performance of employees. Other staff benefit plans are provided to enhance the employees' loyalty and satisfaction.

## RELATIONSHIP WITH SUPPLIERS

### Fair and Open Competition

The Group promotes fair and open competition that aims to develop long term relationships with suppliers based on mutual trust.

### Public Interest and Accountability

The procurement from suppliers or service providers is conducted in a manner consistent with the highest ethical standards. This helps assure high products quality at all times to gain the confidence of customers, suppliers and the public.

### Procurement and Tendering Procedures

The contracting of services and the purchase of goods are based solely on need, quality and price. This ensures compliance with procurement policies and fosters positive and open competition.

## RELATIONSHIP WITH CUSTOMERS AND CLIENTS

### Customer Services

The Group seeks to provide efficient and courteous customer service to maintain customer satisfaction and co-operation. Customers have access to information about the operation and development of the Group through annual reports and the company website. The Group shall not make any misrepresentation, exaggeration or overstatement.

## ENVIRONMENTAL AND SOCIAL POLICIES

Details of the environmental and social policies of the Group are set out in the Environmental, Social and Governance Report on pages 52 to 76.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total workforce of 273, of whom 149, 99 and 25 were based in Hong Kong, the PRC and Japan. Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

## SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

Corporate Social Responsibility has become common practice. The Group cares to save energy, reduce waste during our day-to-day operations, and to protect the environment by implementing a series of measures in energy conservation and paper recycling etc.

# BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

## EXECUTIVE DIRECTORS

**Dr. Lin Xiaohui** ("Dr. Lin"), aged 47, obtained a post-graduate diploma in business administration from the Society of Business Practitioners in December 2013, a Master degree of business administration from the City University College of Science and Technology in September 2014 and a Honorary Doctorate degree of Business Administration from the SABI University in August 2015. Since 2005, Dr. Lin has held management positions in a number of private companies in which he has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Dr. Lin is a member of the Committee of Shenzhen City of the Chinese People's Political Consultative Conference and a member of the Committee of Futian District, Shenzhen City of the Chinese People's Political Consultative Conference. Dr. Lin is the spouse of Madam Su and the brother of Mr. Lin Xiaodong. Dr. Lin joined the Group in June 2014.

**Madam Su Jiaohua** ("Madam Su"), aged 48, obtained the advanced diploma in business studies from Ashford College of Management & Technology Singapore in September 2012. Since 2005, Madam Su has held management positions in a number of private companies in which she has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Madam Su also served as a member of the People's Congress of Futian District, Shenzhen City since April 2012, and a member of the People's Congress of Shenzhen City since May 2015. Madam Su is the spouse of Dr. Lin. Madam Su joined the Group in June 2014.

**Mr. Lin Xiaodong** ("Mr. Lin"), aged 38, obtained a Bachelor of Commerce and Administration in Commercial Law and International Business from the Victoria University of Wellington, New Zealand in 2007. He has worked in the Branch Office of Shenzhen Municipal Office of the State Administration of Taxation* (深圳市國家稅務局直屬分局) from 2007 to 2009. He has undertaken various managerial roles in a company owned by Dr. Lin and Madam Su since 2009. Mr. Lin Xiaodong is the brother of Dr. Lin. Mr. Lin Xiaodong joined the Group in June 2014.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yu Leung Fai** ("Mr. Yu"), aged 44, was appointed as an independent non-executive director of the Company in 2014 and has over 20 years of experience in corporate services field. He was an auditor of Deloitte Touche Tohmatsu from 2000 to 2001. Since 2001, Mr. Yu has joined Fung, Yu & Co. CPA Limited and is currently the company's Managing Partner. Mr. Yu has also been the company secretary of Beijing Media Corporation Ltd. (Hong Kong stock code: 01000), Yuanda China Holdings Limited (Hong Kong stock code: 02789) and Sany Heavy Equipment International Holdings Limited (Hong Kong stock code: 00631), and the independent non-executive director of Dowway Holdings Limited (Hong Kong stock code: 08403) all of which are listed companies in Hong Kong, since 2010, 2012, 2017 and 2019, respectively. Mr. Yu graduated from the University of Toronto with a bachelor's degree in commerce in 2000 and from the University of London with a bachelor's degree in law in 2005. He is a member of the American Institute of Certified Public Accountants, Certified Practicing Accountants of Australia and the Hong Kong Institute of Certified Public Accountants.

* *For identification purpose only*

# BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

**Mr. Fang Jixin** ("Mr. Fang"), aged 39, holds a Master degree in Civil and Commercial Law from Wuhan University. Mr. Fang was a legal assistant and a solicitor in the Shu Jin Law Firm from 2005 to 2008 and in the compliance and management division of China International Capital Corporation Limited from 2008 to 2012. He has joined Shenzhen City Zhidongli Precise Technology Company Limited* (深圳市智動力精密技術股份有限公司) since 2012 and is currently the deputy general manager and secretary to the board (董事會秘書). Mr. Fang joined the Group in June 2014.

**Dr. Li Jue** ("Dr. Li"), aged 45, graduated in Jilin University School of Law, obtained a Bachelor degree in Laws in 1997, a Master degree in Civil and Commercial Law in 2001 and a Doctorate degree in Civil and Commercial Law in 2013. In 2014, Dr. Li joined the post-doctoral research station jointly established by the Center for Assessment and Development of Real Estate, Shenzhen* (深圳市房地產評估發展中心) and the Harbin Institute of Technology, PRC, and engaged in researches relating to the real estate industry. Dr. Li was employed by the Bank of China (Shenzhen Branch) from 2001 to 2013. Since 2015, Dr. Li has been employed by the School of Finance and Economics at the Shenzhen Institute of Information Technology. Dr. Li joined the Group in June 2014.

## SENIOR MANAGEMENT

**Mr. Chan Chu Kin** ("Mr. Chan"), aged 42, is the chief financial officer and company secretary of the Company. Mr. Chan has over 19 years of experience in accounting and finance. Mr. Chan graduated from the University of New South Wales with a bachelor's degree in commerce in 2001. He is a member of the Certified Public Accountants of Australia and fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan joined the Group in June 2017.

* *For identification purpose only*

# REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 52 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 December 2020 by business operating segments and geographical information is set out in note 6 to the financial statements.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2020 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 85 to 217.

No interim and final dividend have been declared during the years ended 31 December 2020 and 31 December 2019.

## FIVE YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five fiscal years is set out on page 218.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is set out in the "Management Discussion and Analysis" section on pages 10 to 24.

## SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 December 2020 are set out in note 39 to the consolidated financial statements.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its shareholders.

## DISTRIBUTABLE RESERVES

At 31 December 2020, the Company did not have any reserve available for distribution (2019: nil).

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers were as follows:

(1) The aggregate amount of turnover attributable to the Group's five largest customers represented 49.4% of the Group's total turnover. The amount of sales to the Group's largest customer represented 22.1% of the Group's total turnover.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 74.7% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 43.9% of the Group's total purchases.

None of the directors of the Company, their associates or any shareholder (who, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2020.

# REPORT OF THE DIRECTORS

## DIRECTORS

The directors of the Company during the year were as follows:

**Executive directors:**

Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

**Independent non-executive directors:**

Mr. Yu Leung Fai
Mr. Fang Jixin
Dr. Li Jue

Dr. Lin Xiaohui and Madam Su Jiaohua will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Bye-law 87 of the Company's Bye-laws.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received annual confirmation of independence from each of the independent non-executive directors pursuant to rule 3.13 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as at the date of this report, still considers them to be independent.

## DIRECTORS' SERVICE CONTRACTS

No director of the Company as of the date of this report has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in notes 12 and 46 to the consolidated financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

| | Number of shares held | | | | | |
|---|---|---|---|---|---|---|
| Name of directors | Personal interests (held as beneficial owner) | Corporate interests | Spouse interests | Interest from options granted under share option scheme | Total interests | Total interests as% of the issued share capital |
| Dr. Lin Xiaohui | – | 1,073,160,000 *(Note 1)* | – | – | 1,073,160,000 | 74.62% |
| Madam Su Jiaohua | – | – | 1,073,160,000 *(Note 2)* | – | 1,073,160,000 | 74.62% |
| Mr. Lin Xiaodong | – | – | – | 1,000,000 | 1,000,000 | 0.07% |
| Mr. Yu Leung Fai | – | – | – | 500,000 | 500,000 | 0.03% |
| Mr. Fang Jixin | – | – | – | 500,000 | 500,000 | 0.03% |
| Dr. Li Jue | – | – | – | 500,000 | 500,000 | 0.03% |

*Notes:*

1. As at 31 December 2020, Manureen Holdings Limited ("MHL") was the legal and beneficial owner of 1,073,160,000 shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of MHL, he was deemed to be interested in 1,073,160,000 shares.

2. Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 1,073,160,000 shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, so far as is known to the directors, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name of shareholder | Capacity | Number of shares held | Percentage of issued capital |
|---|---|---|---|
| MHL | Beneficial owner | 1,073,160,000 | 74.62% |

*Note:*

As at 31 December 2020, MHL was the legal and beneficial owner of 1,073,160,000 Shares. MHL was owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

Save as disclosed above, as at 31 December 2020, other than the directors and chief executive of the Company whose interests or short positions are set out in the paragraph headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above, the directors and chief executive of the Company were not aware of any person who had any interest or short position in the shares or underlying shares of the Company according to the register of interest required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEMES

The share option scheme (the "Scheme") adopted by the Company was approved by the shareholders at the annual general meeting of the Company held on 10 August 2012 and is effective for a period of 10 years commencing on 10 August 2012. The purpose of the Scheme is to attract and retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group or any invested entity through granting of options to eligible participants. Further details of the Scheme are disclosed in note 40 to the consolidated financial statements.

Movements of the share options under the share option scheme during the year are as follows:

| Name of Grantee | Date of Grant | Exercise Period | Exercise price per share (HK$) | Outstanding as at 1 January 2020 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding as at 31 December 2020 |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Lin Xiaodong | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | 1,000,000 | – | – | – | 1,000,000 |
| Yu Leung Fai | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | 500,000 | – | – | – | 500,000 |
| Fang Jixin | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | 500,000 | – | – | – | 500,000 |
| Li Jue | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | 500,000 | – | – | – | 500,000 |
| | | | | 2,500,000 | – | – | – | 2,500,000 |
| **Directors' associates** | | | | | | | | |
| Lin Xiaohong | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | 1,000,000 | – | – | – | 1,000,000 |
| Su Jiawen | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | 1,000,000 | – | – | – | 1,000,000 |
| Lin Yixin | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | 300,000 | – | – | – | 300,000 |
| Lin Jingming | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | 1,000,000 | – | – | – | 1,000,000 |
| | | | | 3,300,000 | – | – | – | 3,300,000 |
| **Other employees** | | | | | | | | |
| In aggregate | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | 2,000,000 | – | – | – | 2,000,000 |
| | | | | 2,000,000 | – | – | – | 2,000,000 |
| | | | | 7,800,000 | – | – | – | 7,800,000 |

There was no participant with options granted in excess of the individual limit.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors or any of their respective associates has interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

## CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 45 to 51.

## MATERIAL CONNECTED TRANSACTIONS

On 15 May 2020, 偉祿環保株式会社 (translated as Realord Environmental Protection Japan Co., Ltd. ("Realord EP Japan")) and 津川金屬株式会社 (translated as Tsugawa Metal Co., Ltd., ("Tsugawa Metal")) entered into, among other things, (i) a lease agreement (the "2020 May Lease Agreement"), pursuant to which Realord EP Japan has agreed to lease from Tsugawa Metal 3 pieces of land with an aggregate GFA of approximately 16,000 square meters and buildings and infrastructure erected thereon (collectively, the "Leased Assets") for a period from 15 May 2020 to 14 November 2021 for JPY6,400,000 (consumption tax inclusive and equivalent to approximately HK$482,368) per month; and (ii) a purchase agreement, pursuant to which Realord EP Japan has agreed to purchase the fixed assets comprising 33 machinery items from Tsugawa Metal at a consideration of JPY128,083,080 (consumption tax inclusive and equivalent to approximately HK$9,653,622). Realord EP Japan is effectively owned as to approximately 55.1% by the Company and directly owned as to 10% by Mr. Liu Tao, who is also a director of Realord EP Japan and a majority shareholder holding 60% interests in Tsugawa Metal. Tsugawa Metal is therefore a connected person of the Company at the subsidiary level under the Listing Rules. Details of the transactions could be referred to the announcement of the Company dated 15 May 2020.

Due to the change in ownership of the Leased Assets subject to the 2020 May Lease Agreement to 粤麟投資株式会社 (translated as Japan Ulan Holdings Limited ("Japan Ulan")), on 2 November 2020, Realord EP Japan and Tsugawa Metal entered into the termination agreement to terminate the 2020 May Lease Agreement. On the same date, Realord EP Japan and Japan Ulan entered into the lease agreement in relation to the continual lease of the Leased Assets originally covered under the 2020 May Lease Agreement and lease of an additional piece of land and infrastructures thereon for a period from 2 November 2020 to 30 April 2022 for JPY7,870,000 (inclusive of 10% consumption tax and equivalent to approximately HK$582,774) per month. By virtue of Mr. Lin Sen, being a director of certain subsidiaries of the Company and the son of Dr. Lin and Madam Su (who are executive Directors), Japan Ulan (which is owned as to 60% by Mr. Lin Sen) is a connected person of the Company under Chapter 14A of the Listing Rules. Details of the transactions could be referred to the announcement of the Company dated 2 November 2020.

## CONTINUING CONNECTED TRANSACTIONS

During the year, the Group conducted certain continuing connected transactions with a connected person (as defined in the Listing Rules) which are required to be disclosed pursuant to Chapter 14A of the Listing Rules.

On 15 May 2019, Realord EP Japan and Tsugawa Metal entered into (i) the lease agreement ("2019 May Lease Agreement"), pursuant to which Realord EP Japan has agreed to lease from Tsugawa Metal (a) three pieces of land with gross floor area of approximately 10,000 square meters and buildings executed thereon in Osaka, Japan (the "Land") and (b) certain fixed assets including forklifts, claw machines, trucks, motor vehicles and scrap processing machines (the "Fixed Assets") for JPY5,000,000 (equivalent to approximately HK$374,550) in aggregate per month; and (ii) the service agreement ("2019 Service Agreement"), pursuant to which Tsugawa Metal agreed to provide the technical services to Realord EP Japan for JPY2,700,000 (equivalent to approximately HK$202,257) per month with workers' overtime charge on a hourly rate (if any), for carrying on the Group's dismantling and trading of scrap material business in Japan.

To facilitate the expansion of processing plant in Osaka, Japan in order to strengthen the establishment and productivity in the local Japanese market, on 15 May 2020, Realord EP Japan and Tsugawa Metal entered into, among other things, the service agreement ("2020 Service Agreement"), pursuant to which Tsugawa Metal agreed to provide the technical services to Realord EP Japan for JPY12,300,000 (equivalent to approximately HK$927,051) per month with workers' overtime charge on a hourly rate (if any). The 2019 Service Agreement has been superseded by the 2020 Service Agreement and it has been early terminated with effect from the date of the 2020 Service Agreement on 15 May 2020.

The 2019 May Lease Agreement, the 2019 Service Agreement, and the 2020 Service Agreement are together named as the "CCT Agreements".

Realord EP Japan is effectively owned as to 55.1% by the Company through its indirect 61.3% owned subsidiary, Realord Environmental Protection Industrial Company Limited, and directly owned as to 10% by Mr. Liu Tao, who is also a director of Realord EP Japan and a majority shareholder holding 60% interests in Tsugawa Metal. Tsugawa Metal is therefore a connected person of the Company at the subsidiary level under the Listing Rules.

The transactions contemplated under the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## THE 2019 MAY LEASE AGREEMENT

**Date**

15 May 2019

**Parties**

(i) Realord EP Japan, as the lessee; and

(ii) Tsugawa Metal, as the lessor.

**Terms of lease**

| | | |
|---|---|---|
| Subject assets | : | The Land and the Fixed Assets |
| Term | : | 15 May 2019 to 14 May 2020 (both dates inclusive) |
| Monthly lease payment | : | JPY5,000,000 (equivalent to approximately HK$374,550) per month<br><br>The above charge was determined after arm's length negotiations between Realord EP Japan and Tsugawa Metal with reference to the existing rental expenses paid by Tsugawa Metal to the respective owners of the Land and the Fixed Assets, which are independent third parties, and where such rental expenses are not available, the construction costs of the buildings erected on the Land and the prevailing market purchase price of the relevant Fixed Assets (consumption tax inclusive) charged over the estimated useful lives of the subject assets. Quotations from two independent suppliers were obtained to compare that the aforementioned rental and purchase price were no less favourable to the Group than offered by independent suppliers.<br><br>Lease payment shall be payable monthly in advance. |

| | |
|---|---|
| Early termination | : Tsugawa Metal has the right to terminate the Lease Agreement without giving notice to Realord EP Japan in the occurrence of any of the following events:<br><br>(i) three months of lease payments are delinquent;<br><br>(ii) Realord EP Japan has delayed the lease payment for more than three times during the lease term; or<br><br>(iii) Realord EP Japan has breached any of the terms in the lease agreement and failed to correct or remedy in time after Tsugawa Metal's written request. |
| Other terms | : Tsugawa Metal has confirmed that it has the rights to use and lease the Land and the Fixed Assets to Realord EP Japan.<br><br>Realord EP Japan is required to obtain a prior written consent from Tsugawa Metal in the following circumstances:<br><br>(i) construct a new building on the Land;<br><br>(ii) sub-lease the Land and the Fixed Assets, or other acts with similar purpose;<br><br>(iii) change the purpose of the Land and the Fixed Assets; and<br><br>(iv) change the existing state of the Land.<br><br>A deposit of JPY20,000,000 (equivalent to approximately HK$1,498,200) has been paid to Tsugawa Metal on the date of the lease agreement. Upon expiry of the lease term and return of the subject assets by Realord EP Japan to Tsugawa Metal, Tsugawa Metal shall, after deduction of any unpaid rent or damage fee, refund the deposit to Realord EP Japan. |

## ANNUAL CAPS

The Company has set the annual caps in relation to the lease of the Land and the Fixed Assets under the 2019 May Lease Agreement as follows:

| **Period** | **Annual Caps** |
|---|---|
| | *HK$* |
| For the year ending 31 December 2019 | 2,810,000 |
| For the year ending 31 December 2020 (i.e. from 1 January to 14 May 2020) | 1,686,000 |

The above annual caps were determined by the Directors with reference to the monthly lease payment for the Land and the Fixed Assets. The actual total lease payment under the 2019 May Lease Agreement charged during the year was approximately HK$1,488,000.

## THE 2019 SERVICE AGREEMENT

**Date**

15 May 2019

**Parties**

(i) Realord EP Japan; and

(ii) Tsugawa Metal

**Terms of service**

| | | |
|---|---|---|
| Services to be provided by Tsugawa Metal | : | The technical services by nine waste copper wires processing workers and ancillary technical support |
| Term | : | 1 July 2019 to 30 June 2020 (both dates inclusive) |
| Monthly service fee | : | JPY2,700,000 (equivalent to approximately HK$202,257) per month<br><br>The above fee was determined after arm's length negotiations between Realord EP Japan and Tsugawa Metal with reference to the salary of nine waste copper wires processing workers under the technical services, which is lower than the average income of similar workers in manufacturing industry in Osaka, Japan based on government statistics. |
| Overtime charge | : | JPY1,875 (equivalent to approximately HK$140) per hour and per worker in the event that the relevant workers are required by Realord EP Japan to work overtime from 6 p.m. to 10 p.m. |

| | | |
|---|---|---|
| | | JPY2,250 (equivalent to approximately HK$169) per hour and per worker in the event that the relevant workers are required by Realord EP Japan to work overtime from 10 p.m. to 5 a.m.<br><br>The above overtime charge was determined after arm's length negotiations between Realord EP Japan and Tsugawa Metal with reference to the average hourly rate per worker calculated based on the monthly service fee above assuming each worker works 8 hours per day and 25 working days per month and the statutory requirements for overtime compensation according to 労働局 (translated as Labour Bureau) in Japan.<br><br>The monthly service fee, together with the overtime charge, are payable within five Business Days upon receipt of an invoice from Tsugawa Metal. |
| Early termination | : | Either party may terminate the service agreement by giving a 15-day prior written notice. However, the parties are still required to fulfill their obligations and responsibilities under the service agreement before termination. |
| Other terms | : | Tsugawa Metal agreed that the amount of waste copper wires processed under the service agreement shall be no less than 450 tonnes per month and the average daily amount of waste copper wires processed shall be no less than 18 tonnes calculated based on 25 working days per month. If the waste copper wires provided by Realord EP Japan is less than the agreed amount, leading to the waste copper wires processed being less than such agreed amount, the monthly service fee will remain as JPY2,700,000 (equivalent to approximately HK$202,257).<br><br>Tsugawa Metal warrants that the copper content of each tonne of processed waste residue shall not exceed 1%.<br><br>In the event that the copper content in the processed waste copper wires deviates from the level specified in the processing plan as previously agreed by both parties by over 1%, Tsugawa Metal shall compensate such loss in value of copper content by Realord EP Japan according to the prevailing copper price in the Japanese market as at the relevant completion date of processing. |

## ANNUAL CAPS

The Company has set the annual caps in relation to the technical service under the 2019 Service Agreement as follows:

| **Period** | **Annual Caps** |
|---|---|
| | *HK$* |
| For the year ended 31 December 2019 | 2,314,000 |
| For the year ended 31 December 2020 | 2,314,000 |

The above annual caps were determined by the Directors with reference to the monthly service fee for the technical services and the estimate of workers' overtime charge to be incurred in the event that higher average daily amount of waste copper wires at up to 30 tonnes than the agreed 18 tonnes per day abovementioned is processed as a result of possible increase in machines productivity. The actual total service fee charged under the 2019 Service Agreement was approximately HK$795,000 for the year ended 31 December 2020.

## THE 2020 SERVICE AGREEMENT

**Date**

15 May 2020

**Parties**

(i) Realord EP Japan; and

(ii) Tsugawa Metal

**Terms of service**

| | | |
|---|---|---|
| Services to be provided by Tsugawa Metal | : | The technical services including the processing and dismantling of scrap materials by 41 workers and related technical and logistics support |
| Term | : | 15 May 2020 to 31 December 2021 (both dates inclusive) |
| Monthly service fee | : | JPY12,300,000 (consumption tax inclusive and equivalent to approximately HK$927,051) per month (or on a pro-rata basis based on the number of working days if the relevant period is less than one month) |

The above fee was determined after arm's length negotiations between Realord EP Japan and Tsugawa Metal with reference to the staff costs of 41 workers under the technical services. The average monthly service fee charged by Tsugawa Metal per number of workers providing such technical services is (i) similar to that of the average monthly service fee charged by Tsugawa Metal per number of workers under the 2019 Service Agreement; and (ii) lower than the average income of similar workers in manufacturing industry in Osaka, Japan based on government statistics.

| | | |
|---|---|---|
| Overtime charge | : | (i) For overtime work required by Realord EP Japan during a business day, (a) 1.25 times of the respective hourly rate for each worker per hour in the event that the overtime work is carried out between 6 p.m. and 10 p.m.; and (b) 1.5 times of the respective hourly rate for each worker per hour in the event that the overtime work is carried out between 10:01 p.m. and 5 a.m.; and (ii) For overtime work required by Realord EP Japan during a non-business day, (a) 1.35 times of the respective hourly rate for each worker per hour in the event that the overtime work is carried out between 5:01 a.m. and 10 p.m.; and (b) 1.6 times of the respective hourly rate for each worker per hour in the event that the overtime work is carried out between 10:01 p.m. and 5 a.m.<br><br>The hourly rate is calculated based on the monthly salary of a worker and divided by (i) the number of working days during that month; and (ii) the number of normal working hours per working day. The overtime charge is determined in accordance with the statutory requirements for overtime compensation according to 労働局 (translated as Labour Bureau) in Japan.<br><br>The monthly service fee, together with the overtime charge, are payable within five business days upon receipt of an invoice from Tsugawa Metal. |
| Early termination | : | Either party may terminate the service agreement by giving a 15-day prior written notice. However, the parties are still required to fulfill their obligations and responsibilities under the service agreement before termination. |

| | | |
|---|---|---|
| Processed volume requirements | : | Tsugawa Metal agreed that the volume of scrap materials processed under the service agreement shall be no less than 1,700 tonnes per month (or on a pro-rata basis based on the number of working days if the relevant period is less than one month) (the "Minimum Monthly Volume"). If the scrap materials provided by Realord EP Japan are less than the agreed volume, leading to the scrap materials processed being less than such agreed Minimum Monthly Volume, the monthly service fee will remain as JPY12,300,000 (equivalent to approximately HK$927,051). Among the Minimum Monthly Volume required, (i) the copper scrap materials processed under each of the two copper rice production lines shall be no less than 350 tonnes each per month and under a shredding production line shall be no less than 500 tonnes per month respectively; and (ii) the plastic scrap materials processed under the other shredding production line shall be no less than 500 tonnes per month. The allocation of the aforesaid minimum volume of major scrap materials processed and the number of workers among each of the production lines could be adjusted at the request of Realord EP Japan.<br><br>Tsugawa Metal warrants that the content of processed major scrap materials in each tonne of processed waste residue shall not exceed 1%.<br><br>In the event that the content in the processed major scrap materials deviates from the level specified in the processing plan as previously agreed by both parties by over 1%, Tsugawa Metal shall compensate such loss in value of processed major scrap materials to Realord EP Japan according to the respective prevailing price of processed major scrap materials in the Japanese market as at the relevant completion date of processing. |
| Other terms | : | The 2019 Service Agreement has been superseded by the 2020 Service Agreement and it has been early terminated with effect from the date of the 2020 Service Agreement on 15 May 2020. |

## ANNUAL CAPS

The Company has set the annual caps in relation to the technical services under the 2020 Service Agreement as follows:

| Period | Annual Caps |
|---|---|
| | *HK$* |
| For the year ended 31 December 2020 (i.e. from 15 May to 31 December 2020) | 8,300,000 |
| For the year ending 31 December 2021 | 13,300,000 |

The above annual caps were determined by the Company after having taken into account the term of the 2020 Service Agreement during the respective financial year, the monthly service fee and the estimate of overtime charge to be incurred for the technical services. The overtime charge to be incurred is estimated based on (i) the estimated number of workers' overtime hours involved to increase the volume of scrap materials processed from the agreed Minimum Monthly Volume of 1,700 tonnes per month to 1,950 tonnes per month as a result of the potential increase in machines productivity; and (ii) the average hourly rate per worker for overtime work estimated based on the monthly service fee for the technical services assuming each worker works eight hours per day and 25 working days per month. The actual service fee charged under the 2020 Service Agreement was approximately HK$6,102,000 during the year.

Full details of the above continuing connected transactions are set out in the announcements published by the Company on 15 May 2019 and 15 May 2020 and on the website of the Stock Exchange.

In accordance with Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company reviewed the continuing connected transactions as mentioned above and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditors, Grant Thornton Hong Kong Limited ("Grant Thornton") was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected

Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Grant Thornton has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Besides, during the year, a non-wholly owned subsidiary of the Group, Realord Asia Pacific Securities Limited (the "Realord APSL") entered into a financing agreement dated 28 October 2020 with Dr. Lin, Madam Su, Mr. Lin Sen ("Mr. Lin") and Ms. Lin Na ("Ms. Lin") (together, the "Lin Family Members") in relation to the provision of securities brokerage and margin financing services (the "Financing Agreement") from 2021 to 2023. Pursuant to the Financing Agreement, Realord APSL shall provide the IPO financing services and margin financing services (together, the "Financing Services") to the Lin Family Members and their respective majority-owned companies for a term commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive). The annual caps for each of the three financial years ending 31 December 2021, 2022 and 2023 were set at follows:

| | **For the year ending 31 December** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'million* | *HK$'million* | *HK$'million* |
| Maximum daily balance of: | | | |
| – IPO financing | | | |
| *Dr. Lin* | 250 | 250 | 250 |
| *Madam Su* | 250 | 250 | 250 |
| *Mr. Lin* | 250 | 250 | 250 |
| *Ms. Lin* | 250 | 250 | 250 |
| ***Total*** | 1,000 | 1,000 | 1,000 |
| – Margin financing | | | |
| *Dr. Lin* | 20 | 20 | 20 |
| *Madam Su* | – | – | – |
| *Mr. Lin* | 20 | 20 | 20 |
| *Ms. Lin* | 20 | 20 | 20 |
| ***Total*** | 60 | 60 | 60 |

The entering into of the Financing Agreement enables Realord APSL to offer the Financing Services to the Lin Family Members and their respective majority-owned companies from time to time, which will allow Realord APSL to retain them as recurrent clients and increase the revenue of Realord APSL. A larger client portfolio of Realord APSL as a whole would also facilitate Realord APSL in obtaining more fundings from principal banks to support its business development.

Dr. Lin and Madam Su are executive Directors and spouse to each other. Dr. Lin and Madam Su respectively holds 70% and 30% of the equity interests in Manureen Holdings, the controlling shareholder of the Company. Mr. Lin is a director of certain subsidiaries of the Company (including Realord APSL), the son of Dr. Lin and Madam Su, and the brother of Ms. Lin. Ms. Lin is the daughter of Dr. Lin and Madam Su, and the sister of Mr. Lin. By virtue of the aforesaid relationships of Dr. Lin, Madam Su and Mr. Lin with the Group and Ms. Lin as an associate of each of them, each of the Lin Family Members is a connected person of the Company under Chapter 14A of the Listing Rules.

Details of the Financing Agreement and the transactions contemplated thereunder are set out in the circular of the Company dated 1 December 2020.

Save as disclosed above and in the section headed "Material Connected Transactions" in this report, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements under Chapter 14A of the Listing Rules during the year. For those related party transactions of the Group during the year as disclosed in note 46 to the consolidated financial statements, all were connected or continuing connected transactions (as the case may be) which were fully exempted from the disclosure requirements for reporting, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules. The Company confirmed it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors, the Company had maintained a sufficient public float of not less than 25% of the Company's total issued shares as required under the Listing Rules throughout the year under review.

## AUDITORS

A resolution for the reappointment of Grant Thornton Hong Kong Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

**Lin Xiaohui**
*Chairman*

Hong Kong, 22 March 2021

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has complied all code provisions (the "Code Provisions") in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules for the year ended 31 December 2020.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2020.

## BOARD OF DIRECTORS

The Company is governed by a board of directors (the "Board") which has the responsibility for leadership and monitoring of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to develop its business and to enhance shareholders' value.

The Board met 12 times during the year ended 31 December 2020. Its composition and the attendance of individual directors at these Board meetings were follows:

| **Name** | **Number of Board meetings attended/held** |
|---|---|
| *Executive directors* | |
| Dr. Lin Xiaohui *(Chairman)* | 12/12 |
| Madam Su Jiaohua *(Chief Executive Officer)* | 12/12 |
| Mr. Lin Xiaodong | 12/12 |
| *Independent non-executive directors* | |
| Mr. Yu Leung Fai | 12/12 |
| Mr. Fang Jixin | 12/12 |
| Dr. Li Jue | 12/12 |

Dr. Lin Xiaohui and Madam Su Jiaohua are spouses.
Dr. Lin Xiaohui and Mr. Lin Xiaodong are brothers.

To the best knowledge of the Company and save as disclosed above, there is no financial, business and family relationship among members of the Board.

## DIRECTORS' TRAINING

All directors participate in continuous professional development to enhance and refresh their knowledge and skills. During the year ended 31 December 2020, all directors had provided the Company their training records. All directors participated in continuous professional development exercise by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updates on the roles, functions and duties of a listed company directors. The trainings attended by the directors are in the area of corporate governance, regulatory development, financial management or business skills and knowledge. The Company is of the view that all directors of the Company has compiled with Code Provision A.6.5.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer of the Company are separated, with a clear division of responsibilities to assume a balance of authority and power.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group.

The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Group benefits from the experience and expertise of the independent non-executive directors of the Company. They advise the Company on strategy development and enable the Board to maintain high standards of compliance of financial and other mandatory requirements. Each independent non-executive director of the Company gives an annual confirmation of the independence to the Company and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

All the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Bye-laws of the Company, which stipulate that one-third of the directors shall retire from office by rotation so that each director shall be subject to retirement at least once every three years.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report; and
- such other corporate governance and functions set out in the Code Provisions (as amended from time to time) for which the Board are responsible.

## REMUNERATION COMMITTEE

During the year ended 31 December 2020, the members of the Remuneration Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Li Jue (Chairman), Mr. Yu Leung Fai and Dr. Lin Xiaohui. The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee met one time during the year ended 31 December 2020. All members attended these meetings.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management. During the year ended 31 December 2020, the Remuneration Committee has reviewed the Group's remuneration policy, including the policy for the remuneration of executive directors in accordance with Code Provision B.1.2(c)(ii), the levels of remuneration paid to executive directors and senior management of the Group.

## NOMINATION OF DIRECTORS

During the year ended 31 December 2020, the members of the Nomination Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Lin Xiaohui (Chairman), Mr. Yu Leung Fai and Mr. Fang Jixin. The terms of reference of the Nomination Committee have been determined with reference to the Code.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board at least annually, making recommendations on the procedures and criteria for appointment of Directors and implementing those that are adopted by the Board.

The nomination policy of the Company specifies the selection criteria of Directors including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above) cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

## AUDIT COMMITTEE

During the year ended 31 December 2020, the members of the Audit Committee comprised three independent non-executive directors of the Company, namely Mr. Yu Leung Fai (Chairman), Mr. Fang Jixin and Dr. Li Jue. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The Audit Committee met three times during the year ended 31 December 2020, which were attended by all members.

During the year, the Audit Committee had reviewed the Group's interim and annual results, risk management and internal control system and financial reporting matters. The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. As at 31 December 2020, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Independent Auditor's Report.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that an appropriate and effective risk management and internal control systems are maintained so as to safeguard the Group's assets and the interests of the Shareholders. The Board has developed its risk management and internal control systems, and is also responsible for overseeing the performance of the risk management and internal control system on an ongoing basis. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board has, through Audit Committee, conducted a review on the adequacy and effectiveness of the risk management and internal control systems of the Group, which covered financial, compliance and operational controls as well as risk management mechanisms. The Board also reviewed the adequacy of resources, staff qualifications for those who are responsible for accounting and financial reporting function and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The internal auditor of the Group has performed an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group. The review results has been properly reported to the Audit Committee.

The Board has established a policy and guideline on the procedures and internal controls for the handling and dissemination of inside information, which stipulated the duties and responsibilities of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures.

Based on the internal control reviews conducted in 2020, no significant control deficiency was identified.

## AUDITOR'S REMUNERATION

For the year ended 31 December 2020, fees paid/payable to the Company's external auditors for annual audit services totalled HK$3,600,000 (year ended 31 December 2019: HK$3,380,000). For other audit/review-related services, the fees amounted to HK$630,000 (year ended 31 December 2019: HK$1,500,000).

## COMPANY SECRETARY

The Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing the corporate governance practices. The Company Secretary confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2020 and has provided training record to the Company indicating his compliance with the training requirement under the Listing Rules. The Company is of the view that the Company Secretary has compiled with Rule 3.29 of the Listing Rules.

## CONSTITUTIONAL DOCUMENTS

The Bye-laws of the Company has been amended at the 2012 annual general meeting held on 10 August 2012 so as to bring the Bye-laws in line with the current revised requirements of the Listing Rule and certain changes to the laws of Bermuda. The amendments were disclosed in details on pages 32 to 36 of the Company's circular to shareholders dated 11 July 2012 published on the websites of the Company and the Stock Exchange.

An updated version of the Bye-laws of the Company is available on the website of the Company (www.realord.com.hk) and the Stock Exchange (http://www.hkexnews.hk/index.htm).

## DIVIDEND POLICY

The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, acquisitions, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors deem relevant.

## SHAREHOLDERS' RIGHTS

**Convenes a special general meeting of the Company**

Pursuant to Bye-law 58 of the Company, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may convene a special general meeting.

**Enquiries to the Board**

Shareholder(s) may at any time send their enquires to the Board in writing through the Company Secretary whose contact details are as follows:

Company Secretary
Realord Group Holdings Limited
Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

**Procedures for putting forward proposals at general meetings**

The following shareholder(s) are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

1. any shareholder(s) representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or

2. not less than one hundred shareholders.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company in the case of:

(1) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(2) any other requisition, not less than one week before the meeting.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act 1981 of Bermuda (as amended) once valid documents received.

## COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the Company has established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue to facilitate the enforcement of shareholders' rights. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all resolutions set out in the notice of the annual general meeting of the Company will be voted by poll;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the Group's performance and operations; and

4. corporate website www.realord.com.hk contains extensive information and updates on the Company's business.

## OVERVIEW

Realord Group Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "we") is a conglomerate listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), principally engaged in property investment and development, financial services, environmental protection industry distribution and sales of motor vehicle parts, commercial printing and hangtag with geographic coverage in Hong Kong, the People's Republic of China (the "PRC") and Japan.

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance (the "ESG") initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development during the reporting period from 1 January 2020 to 31 December 2020 (the "Reporting Period").

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange.

## THE ESG GOVERNANCE STRUCTURE

The board of directors (the "Board") oversees and sets out ESG strategies for the Group. The Board is also responsible for ensuring the effectiveness of the Group's risk management and internal controls through an annual assessment.

The Group has assigned personnel to systematically identify and handle ESG issues. Such personnel are responsible for collecting and analysing relevant ESG data and identifying the Group's ESG issues. In addition, such personnel periodically report to the Board for the evaluation and subsequent implementation or revision of the Group's ESG strategies.

## REPORTING SCOPE

The reporting scope of this ESG Report covers the Shenzhen office and Japan Recycling Yard (the "Japan Recycling Yard"). The change of reporting scope from last year mainly due to the shift of Recycling Yard business from Guangxi, PRC to Japan. The Group will consider enhancing the scope when the data collection system matures.

## REPORTING PRINCIPLES

We have taken the following reporting principles into account in development of this ESG Report:

**Materiality**

We regularly engage our stakeholders to better understand their concerns relating to sustainability issues that affect them. We also make regular reference to our peers and both local and regional sustainability criteria when we review our sustainability context, materiality and disclosures in order to keep our sustainability priorities and strategy relevant. The Board and the management regularly review the sustainability issues that are most significant to our business and operations, and consider the issues discussed in this Report to be material to the Group.

**Quantitative**

For the quantitative information we report on, we provide explanation on how we collect and analyse relevant data in appropriate circumstances. The environmental key performance indicators include the disclosure of comparative data to allow stakeholders to make analysis based on our performance.

**Balance**

We aim to keep our report balanced and make fair disclosures on critical aspects of our performance, both in terms of progress made and continuing challenges that we are dealing with.

**Consistency**

We have reported in accordance with the ESG Reporting Guide of the Stock Exchange, which allows for year-to-year comparison with our previous performance.

## COMMUNICATION WITH STAKEHOLDERS

The Group strives to accommodate views and interests of stakeholders (including but not limited to shareholders, customers, employees, suppliers, regulatory authorities and the public) through constructive communications with them to determine the direction of the Group's long-term development and maintain close relationships with stakeholders. The overall performance of the Group's are summarised in the Group's interim report and annual report and reported to stakeholders through the Group's official website (www.realord.com.hk).

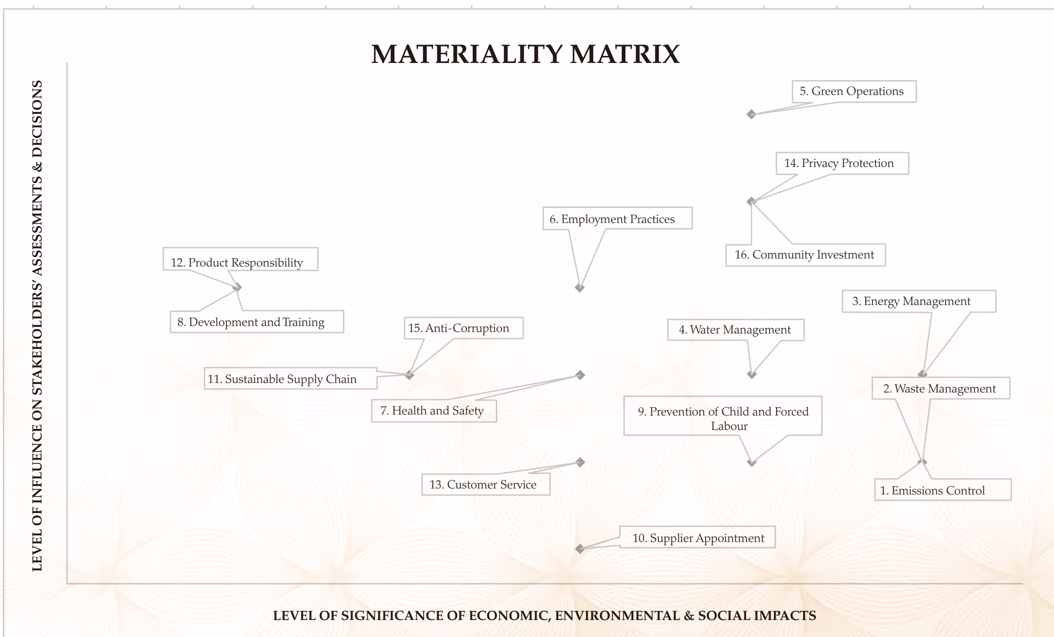
| Stakeholders | Possible issues of concern | Communication channels |
|---|---|---|
| The Board | • Corporate governance<br>• Regulatory compliance<br>• Financial performance<br>• Strategic development | • Board meetings<br>• Committee meetings<br>• Annual general meeting<br>• Emails |
| Shareholders and investors | • Corporate governance system<br>• Business strategies and performance<br>• Investment returns | • Annual general meeting and other shareholder meetings<br>• Financial reports<br>• Announcements and circulars<br>• Company website and email |
| Customers | • Good customer service<br>• Reasonable prices<br>• Privacy protection<br>• Business integrity and ethics | • Customer service hotline<br>• Interim and annual reports, corporate websites<br>• Regular meetings and communication |
| Employees | • Remuneration and compensation<br>• Equal opportunities<br>• Career development<br>• Health and safety | • Training<br>• Employee handbook<br>• Staff appraisals |
| Suppliers | • Payment schedule<br>• Stable demand<br>• Fair and open tendering | • Emails<br>• Regular assessment of suppliers' performance<br>• Supplier management meetings and events |

| Stakeholders | Possible issues of concern | Communication channels |
|---|---|---|
| Regulatory bodies and government authorities | • Regulatory compliance<br>• Prevention of tax evasion<br>• Social welfare | • Interaction and visits<br>• Government inspections<br>• Compliance advisor |
| Media, community and the public | • Environmental protection<br>• Employment and community development<br>• Social welfare | • Community activities<br>• Employee voluntary activities<br>• ESG reports<br>• Media |

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community continuously.

## MATERIALITY ASSESSMENT

The Group's management and staff in major functions are involved in the preparation of the ESG Report. They have assisted the Group to review its operations, identify key ESG issues, and assessed the importance of those relevant matters to our business and stakeholders. The Group has compiled a survey in accordance with the identified material ESG issues to collect information from relevant departments, business units, and stakeholders of the Group The following matrix is a summary of the Group's material ESG issues:




During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents comply with the requirements of the ESG Reporting Guide.

## CONTACT US

We treasure your feedback and comments on our sustainability performance. You can provide valuable advice in respect of the ESG Report or the Group's performance in sustainable development by writing us to Suites 2403-10, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

## A. ENVIRONMENTAL

### A1. Emissions

Environmental protection and sustainable development rely on concerted efforts from all industries and society. Engaging into various businesses, we strive to integrate environmental sustainability into our business operations and are committed to reducing our environmental footprint.

Due to our business nature, we recognise that our day-to-day operations can impact both, directly and indirectly, the environment. Therefore, we have formulated the Environmental Policy to protect and improve the environment and promote sustainability within our business. We constantly uphold the principles of emission reduction and resource efficiency in our environmental management approaches by implementing measures and adopting best practices that promote energy efficiency, wastes reduction, and other green initiatives. The Group is also committed to educating our employees in raising their awareness of environmental protection and complying with relevant environmental laws and regulations. Within our policy framework, we continually look for opportunities to pursue environmentally friendly initiatives and enhance our environmental performance by reducing energy consumption and the use of other resources.

During the Reporting Period, the Group was not aware of any material non-compliance with environmental related laws and regulations that would have a significant impact on the Group, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and The Basic Environment Law in Japan. During the Reporting Period, there was no case of prosecution against the Group in relation to the violation of environmental laws.

**EMISSIONS CONTROL**

Air and Exhaust Gas Emissions

All our operating locations strictly comply with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and Air Pollution Control Act in Japan and emission standards specified by different provinces and cities, to keep the exhaust emissions within the thresholds under relevant laws and regulations, and minimise the impact on neighbouring regions.

The air pollutant we generated is mainly due to automobile emissions of the Group. Therefore, we have been focusing on the exhaust emissions of various equipment and has implemented a series of emission control such as arranging regular repairment and maintenance for the Group's automobiles, maintaining engines and other mechanical systems in proper condition to improve fuel efficiency and reduce pollutant emissions. In order to minimise exhaust emissions, the Group has prepared to replace traditional diesel vehicles with energy saving vehicles gradually amidst the business growth of the Group, expecting to slow down the emission.

In view of the impact of wasted gas produced by waste plastics processing machines on the surrounding environment, the Group has installed a gas collecting and extracting device at the exhaust outlet of the waste processing machinery in our Japan Recycling Yard. The device with the activated carbon fiber adsorption technology is to discharge waste gas after it is being collected and processed. In addition, the Group also focuses on improving the ventilation in the workshops, reducing the concentration of exhaust gas in the workshops effectively through air-diluting. After being processed and purified, relevant exhaust gas has already met the standards of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and Air Pollution Control Act in Japan that effectively safeguard employees' occupational health.

The table below sets out the Group's exhaust emissions in the last two reporting years:

| **Types of exhaust gas** | **Unit** | **Emissions** | |
|---|---|---|---|
| | | 2020 | 2019 |
| Nitrogen oxides ($NO_x$) | kg | 20.94 | 13.38 |
| Sulphur oxides ($SO_x$) | kg | 0.27 | 0.15 |
| Particulate Matter (PM) | kg | 1.53 | 0.99 |

GHG Emissions

It is an indisputable fact that global warming is becoming more and more serious. The Group has been paying attention to climate change issues. In this regard, it seeks to take the optimal measures to reduce greenhouse gas emissions from business operations and combat climate change.

We also conduct data monitoring to identify and classify sources of greenhouse gas emissions in accordance with requirements and guidelines of the Stock Exchange, so as to compare the data performance of various sources.

Through the implementation of such measures, employees' awareness of reducing GHG emissions has been noted to have increased. However, the total GHG emissions of the Group in 2020 has increased by approximately 79.52% from 2019 mainly due to the expansion of scale of Japan Recycling Yard.

The table below sets out the greenhouse gas' total emissions and intensity of the Group in the last two reporting years:

| **Indicators**[1] | **Unit** | **Emissions** 2020 | 2019 |
|---|---|---|---|
| Scope 1 – Direct GHG emissions | | | |
| • Fuel consumed by vehicles and machinery | $tCO_2e$ | 48.11 | 25.59 |
| Scope 2 – Indirect GHG emissions | | | |
| • Purchased electricity | $tCO_2e$ | 245.41 | 137.91 |
| Total GHG emissions | $tCO_2e$ | 293.52 | 163.50 |
| Total GHG emissions intensity[2] | $tCO_2e$/no. of employee | 3.26 | 1.78 |

*Note:*

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the latest published Baseline Emission Factors for Regional Power Grids in China and the latest published emission factors of Japan.

2. As at 31 December 2020 and 31 December 2019, the Group had 90 and 92 employees under the specified ESG reporting scope respectively. The data is also used for calculating other intensity data.

3. The electricity fee for Japan Recycling Yard was included in the rent in the first half of the year 2020. Therefore, the figure only includes the purchased electricity from June 2020 to December 2020 for Japan.

## NOISE POLLUTION MANAGEMENT

In accordance with the standards of the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》) and Noise Regulation Law in Japan, the Group adopted enclosed design for its Japan Recycling Yard and set up sound barriers to prevent noise and from affecting the surrounding environment during operation.

## SEWAGE DISCHARGE

Due to the Group's business nature, the sewage discharge into land is insignificant. Similarly, there was no significant and unreasonable amount of sewage water discharged; used water was discharged to the municipal sewage network to the regional water treatment plant.

## WASTE MANAGEMENT

The Group develops and implements strict management measures for waste generated in the production process in reference to the List of National Hazardous Wastes (《國家危險廢物名錄》), the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and the Management Measures for Transfer Forms of Hazardous Waste (《危險廢物轉移聯單管理辦法》), The Basel Law and Waste Management and Public Cleansing Law in Japan, to systematically identify environmental factors of production process and made detailed guidelines of waste management available.

### Hazardous Waste Management

The hazardous wastes generated during the operation of the Group's Japan Recycling Yard mainly involve waste machine oil, circuit boards, scrap rubber, activated carbon, etc. The Group strictly complies with the regulations and requirements in the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢棄物環境污染防治法》) and the Administrative Measures for Hazardous Waste Transfer Manifest (《危險廢物轉移聯單管理辦法》) and The Basel Law in Japan on hazardous waste disposal in the course of centralised collection and temporary storage management of hazardous wastes, and have entered into service agreements with qualified waste disposal companies designated by local governments to assist the Group in proper disposal of all hazardous wastes. During the Reporting Period, all of the hazardous wastes were legally disposed of by a licenced hazardous waste collector.

Non-Hazardous Waste Management

The Group adopts the 5R (i.e. Refuse, Reduce, Reuse, Repair and Recycle) management strategy for the management of non-hazardous waste. The Group's Japan Recycling Yard has set up a recycling center where employees collect, mark and separate different types of solid waste in accordance with the Law on Prevention and Control of Environmental Pollution by Solid Waste (《固體廢物污染環境防治法》), and the Administrative Measures for Municipal Domestic Waste (《城市生活垃圾管理辦法》) and The Basel Law in Japan.

The reusable waste, including paper, plastic, and metal, will be sent to recycling agencies for proper treatment. We endeavour to improve the recycling rate and achieve the highest resource efficiency through internal operation management, publicity, training, labelling, classification, recycling, and other policy controls. In addition, in order to improve the efficiency of energy and resource use, the Group regularly engages qualified professional agencies to carry out environmental monitoring, and from time to time invites environmental experts to propose improvement plans which will be studies and implemented. To effectively control the paper usage and its subsequence disposal, the Group has implemented related reduction initiatives, which can be found in "A3. The Environment and Natural Resources".

Through the implementation of such measures, employees' awareness of reducing waste disposal has been noted to have increased. The total amount of non-hazardous waste in 2020 has increased by approximately 42.83% from 2019 due to the increased waste by Japan Recycling Yard.

The table below sets out the non-hazardous wastes' total volume and intensity of the Group in the last two reporting years:

| **Types of non-hazardous waste** | **Unit** | **Disposal Amount** | |
|---|---|---|---|
| | | 2020 | 2019 |
| Total non-hazardous wastes | tonnes | 6.37 | 4.46 |
| Total non-hazardous wastes intensity | tonnes/no. of employees | 0.07 | 0.05 |

**A2. Use of Resources**

In order to use all resources including energy, water, and other natural resources more effectively and prudently, we continuously invest in the upgradation and improvement of technologies and equipment, energy-saving and consumption reduction, as well as environmentally friendly facilities, so that it can utilise the resources more efficiently and, to some extent, reduce the consumption of various resources.

**ENERGY MANAGEMENT**

As a socially responsible company, we advocate the use of energy-saving, efficient and environmental-friendly construction equipment, machinery and tools and office appliances recommended by the state and the industry. For energy conservation, we require contractors to adopt various energy-saving measures during construction. Meanwhile, we continuously update the latest environmental news to optimise the existing services, so as to reduce environmental pollution.

The energy conservation measures we have undertaken in 2020 are as follows:

*Energy conservation measures*

(1) It is planned to gradually replace the existing office and warehouse lighting with LED lighting, which can lower power consumption and reduce hazardous waste from replacement of short-lived traditional lighting fixtures.

(2) All employees are required to participate in energy saving and emission reduction actions; employees are educated to properly use office electrical equipment including lighting, electric fans, air conditioners and other facilities, to turn off the equipment not in use in their responsible areas, and to check and ensure that all energy-consuming equipment is turned off before leaving work. In addition, the Group disseminates knowledge of energy conservation and emission reduction to encourage employees to develop energy-saving and environment-friendly work habits.

(3) It is required to set the air conditioning temperature at 25 degrees to avoid waste of energy.

(4) Office equipment (such as refrigerators and air conditioners) is cleaned on a regular basis to improve operational efficiency.

(5) Environment-friendly and energy-efficient appliances and equipment are preferred.

Through the implementation of such measures, employees' awareness of reducing energy consumption has been noted to have increased. The total energy consumption in 2020 has been increased by approximately 140.38% from 2019 mainly due to the higher electricity consumption in Japan Recycling Yard for expansion of scale in Japan Recycling Yard and higher use of petrol in 2020.

The table below sets out the total energy consumptions and intensity of the Group in the last two reporting years:

| **Types of energy** | **Unit** | **Consumption** | |
|---|---|---|---|
| | | 2020 | 2019 |
| **Direct energy consumption** | kWh | **175,642.23** | **97,135.42** |
| Diesel | kWh | 3,466.14 | N/A |
| Petrol | kWh | 172,176.09 | 97,135.42[4] |
| **Indirect energy consumption** | kWh | **461,683.00** | **168,007.00** |
| Purchased electricity | kWh | 461,683.00 | 168,007.00 |
| **Total energy consumption** | kWh | **637,352.23** | **265,142.42** |
| Total energy consumption intensity | kWh/No. of employees | 7,081.69 | 2,881.98 |

*Note:*

4. *Actual petrol consumption was approximately 17,765.94 litres and 10,022.89 litres in 2020 and 2019 respectively. Actual diesel consumption was 323.84 litres in 2020.*

## WATER MANAGEMENT

Water is one of our most important natural resources. In order to cherish the precious water resources, the Group makes every effort to maximise the water resources used in its business operations. We actively promote the concept of valuing water to employees and maintain in good condition, so as to achieve our goal of water saving. In particular, Japan Recycling Yard has implemented the reuse of water resources, as the water used in washing clothes and hands in the staff dormitory are collected for flushing toilets.

Through the implementation of such measures, employees' awareness of reducing water consumption has been noted to have increased. The total water consumption in 2020 has been decreased by 43.41% from 2019 due to less water consumption in Japan Recycling Yard with the water saving measure adopted.

The table below sets out the total water consumptions and intensity of the Group in the last two reporting years:

| **Indicator** | **Unit** | **Consumption** | |
|---|---|---|---|
| | | 2020 | 2019 |
| Water consumption | $m^3$ | 1,287.60 | 2,275.20 |
| Water consumption intensity | $m^3$/no. of employees | 14.31 | 24.73 |

Due to the Group's business nature, the Group did not encounter any problem in sourcing water that is fit for purpose.

## PACKAGING MATERIAL

Due to the Group's business nature, the use of packaging material is not considered to be a material ESG aspect of the Group. To be specified in detail, Japan Recycling Yard mainly uses trucks to deliver goods directly to customers. Under the premise of reasonable protection, the Group endeavours to reuse the packaging materials which were imported along with raw materials, so as to minimise resource consumption in the transportation process without producing large quantity of packaging materials wastes.

### A3. The Environment and Natural Resources

The Group integrates environmental responsibility into its daily business operations. Accordingly, the Group promotes green operations and green procurement policy to reduce environmental impact and the consumption of natural resources.

#### NATURAL RESOURCE PROTECTION

To reduce the consumption of paper, a main type of natural resource consumed by the Group, we encourage our employees to transmit information electronically and process documents on computers as much as possible, and require them to print on both sides as far as possible. The number of company envelopes, portfolios, brochures, etc. for internal use is also verified to avoid overprinting. For reusable and recyclable resources in waste, such as waste paper and printer ink cartridges, we have set up collection bins for classification management to facilitate internal recycling or transfer to qualified recyclers for further recycling. We grow vegetables in the open space of our Japan Recycling Yard to meet our daily needs and reduce purchases of such goods.

To ensure that employees implement the Group's environmental protection philosophy in their daily work, all new employees will go through the training in environmental protection.

## GREEN OFFICE POLICY

The Group has implemented a series of measures to reduce the use of office supplies:

- Implement electronic file management, encouraging employees to process documents on computers and transmit information electronically as far as possible, and reducing the printing, transmission, sorting and archiving of paper files. The number of envelopes, portfolios and brochures issued by the Group is also subject to verification and control to minimise the demand for paper;

- Categorise waste, recycle and transfer recyclable resources to qualified recyclers, various collection bins have been placed in the office for the recycling of single-sided printed paper and printer cartridges;

- Place various green plants in different areas of the office, the green area coverage in Japan Recycling Yard has reached 15%, which helps clean air and improve indoor and surrounding air quality;

- Put up "Save Water" reminders in appropriate places to remind employees to reduce water consumption in their daily operations and to close the taps immediately after use so as to reduce unnecessary waste; and

- Enhance daily maintenance and management of water equipment, including regular maintenance of water mains and pipes to reduce hidden leakage.

## B. SOCIAL

### B1. Employment

The success of our business depends on the untiring efforts and dedicated service of all employees. The Group understands that the recruitment, retention and cultivation of talents can help maintain its market competitiveness. The Group has in place the Employee Handbook to ensure that employees are treated in a fair and reasonable manner.

During the Reporting Period, the Group did not have significant issues relating to violations in this respect, including but not limited to the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and Labour Standards Law in Japan.

**RECRUITMENT, PROMOTION AND EQUAL OPPORTUNITY**

The Group has regular reviews for the demand and requirements for human resources with each business function head in order to secure the sufficient staff members for the positions required and to keep the normal business operations and development. In addition, we have implemented a standardised recruitment system with high transparency to ensure the righteousness, openness and fairness upheld throughout the recruitment and employment processes. When considering the opportunity for promotion of a position, the principle of "appropriateness", their job performance evaluation, experiences and capabilities of the potential are considered as conditions for staff promotion.

**WORK-LIFE BALANCE**

Employees are the most important core asset of the Group. The Group attentively takes care of the needs of employees pays close attention to employees' work and life balance. Achieving work-life balance can help enhance the overall operational efficiency of the Group. As such, the Group strictly abides by the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and Article 7 of Labour Standards Law in Japan to guarantee appropriate working hours and sufficient leave days for employees.

**REMUNERATION AND BENEFITS**

The Group has established a set of objective and fair remuneration guidelines. In addition to wage adjustments based on the market practice and conditions, and the results of employee assessment, the Group also determines annual bonuses based on individual performance to motivate their interest and enthusiasm and share the Group's profits with its employees as a reward for their contributions to the Group. Moreover, we review and adjust the remuneration mechanism on a regular basis to provide fairer and more competitive remuneration packages.

The Group also develops its benefits policy in accordance with the Labour Law of the People's Republic of China, the Article 11 of Labour Contract Law of the People's Republic of China and Labour Standard Law in Japan, and observes local requirements relating to minimum wage, working hours and the overtime limit, paid statutory holidays and paid annual leave. In addition, we established the Benefits Committee in charge of reviewing matters related to employees' benefits. The Group currently provides comprehensive benefits guarantees for all employees, including medical insurance. In order to promote the bilateral communication and interaction between employees and employer, the Group also delivers the most recent update of the Group to every employee in a timely manner via survey and listens to the employees' opinions and advices actively, taking corresponding measures swiftly on issues which employees care about and protecting the interest of our employees.

**COMPENSATION, TERMINATION OF EMPLOYMENT AND RETIREMENT**

The Group initiates compensation and retirement procedures, including relevant provisions on indemnification and compensation and the planning of retirement arrangements, in accordance with the Article 89 of Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, Labour Standards Law in Japan and other relevant laws and regulations.

**ANTI-DISCRIMINATION**

We strictly follow anti-discrimination policies and will not tolerate harassment of any kind. When recruiting and promoting employees, we will only consider individual work experience and performance. We provide our employees with fair recruitment, compensation, training, transfer and promotion opportunities regardless of their race, gender, age or religious, so as to ensure that fair and equal opportunities are offered to all job applicants. We strive to create a working environment with care, endurance, fairness with no discrimination.

**B2. Health and Safety**

The Group fully recognises the importance of occupational health and safety to the recycling industry. Therefore, we strive to create the best working environment for our valued employees. We have advocated and upheld the idea of "Safety First" and strived in achieving the goal of zero industrial accident. We have formulated a set of suitable safety management plan in accordance with the laws and regulations, to reduce and control potential occupational safety and health hazards in business operations. The Group strictly implements the legislative requirements on occupational health and safety at its operating locations to avoid any injuries of employees at work.

During the Reporting Period, the Group did not have significant issues relating to violations in this respect, including but not limited to Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases of People's Republic of China (《中華人民共和國職業病防治法》) and Industrial Safety and Health Act in Japan.

## OCCUPATIONAL HEALTH AND SAFETY

In order to effectively review our occupational health and safety performance, the Group sets up dedicated departments for coordinating and arranging safety checks for all operating facilities in accordance with Occupational Health and Safety Policies and regular reviews are held at meetings to examine the Group's occupational health and safety performance. Any employee being found of a mis-operation or risky operation will be immediately warned. At the same time, corrective and preventive measures will be adopted to manage the risks identified for assuring the quality and implementation of the safety management measures, so as to reduce unsafe behaviours of on-site personnel and accidents.

## WORKPLACE SAFETY MANAGEMENT

The Group's office and Recycling Yard are equipped with dust removal, noise elimination, gas protection and other equipment, with standards in place for dangerous goods identification marks and for the proper use and storage of inflammable and explosive materials in order to minimise potential harm to the health of employees. To further enhance the safety of the Group's workplaces, we have set up first aid kits, fire extinguishers and exit signs at all operating locations and reminded our employees of the need to keep the passage or escapes clean and clear at all times. It is forbidden to place too many miscellaneous items in the office to ensure a rapid and safe evacuation in case of emergency.

## PERSONAL PROTECTIVE EQUIPMENT

The Group is committed to providing employees with a legitimate, safe and dignified working environment. Apart from displaying notice or label, we also provide frontline employees with personal protective equipment such as dust masks, noise reduction earplugs and emergency medicines for occasional needs. Meanwhile, employees are arranged to attend safety training courses to raise their awareness of workplace safety and to ensure the efficiency of the personal protective equipment for protecting our employees.

### WORKPLACE HYGIENE

The Group has advised employees to maintain cleanliness in the workplace. We set up designated areas in offices and plant areas to collect wastes discarded by our employees. Hygiene in public areas is regularly managed by dedicated departments. Regular cleaning of air conditioning systems and carpets in office areas are also arranged to maintain hygiene in the workplace.

### EMPLOYEE WORK SAFETY TRAINING

We actively promote the culture of workplace safety. The Group provides employees with adequate training on occupational health to keep up with employees' awareness against workplace health and safety, in order to ensure the safe operation of equipment, the Group has developed appropriate training sessions, mainly covering the correct use of protective equipment, knowledge and cases of safety production and occupational health, and safe operation of positions or equipment. Moreover, we share all the latest information and news of occupational health and safety with all our employees.

### INCIDENT RESPONSE PLAN

To prevent possible accidents and potential risks due to emergencies like fire and power failure, the Group has established a set of stringent measures and practice fire drills from time to time. All onsite workers are required to be aware of the emergency procedures, such as the proper use of personal protective equipment and rescue facility.

### STRESS MANAGEMENT

The Group has complaint and confidential feedback channels in place for all employees, allowing them to express any views or concerns to the department heads or executives at the higher rank.

### PREVENTATIVE MEASURES ON COVID-19

In response to the outbreak of the Coronavirus Disease 2019 ("COVID-19") pandemic, the Group has taken certain actions to strengthen the health and safety precautionary measures in both our offices and construction sites to ensure the health of our employees and workers. The Group has established two sets of workplace health and safety plan with regards to COVID-19 separately for office and construction site employees. In addition, the Group has conducted a thorough hazard assessment of the workplace to identify potential workplace hazards that could increase the risks for COVID-19 transmission, which includes all employees, including management staff, utility employees, relief employees, etc.

### B3. Development and Training

#### CAREER DEVELOPMENT

To maintain the Group's competitiveness in the world of rapid development of technology, it is important that we keep our skills and knowledge up-to-date. Therefore, we promote the spirit of life-long learning and cultivating a continuous learning culture. To further improve team values and professionalism of staff, we develop career development training for staff and encourage them to actively participate in various training workshops and courses.

#### PRE-EMPLOYMENT TRAINING

In order to assist our newly recruited employees to adapt to the Group's work culture and environment, we provide pre-employment training for them, including information about our corporate culture, employee handbook, job skills and relevant safety knowledge, with an aim of enhancing their understanding of the Group, their position and working environment.

#### VOCATIONAL SKILLS TRAINING

We are dedicated to building a professional technical team, so we have arranged training courses for our employees to meet the needs of different jobs and ranks to improve individual profession knowledge skills and capabilities. For some internal key talents, we have developed career paths and defined career ladders for key positions, sponsored our staff to attend external training courses, such as professional qualification training, workshops or seminars, in order to strengthen overall professionalism and individual caliber of employees, and help competent employees to pursue excellence and grow together with the Group.

**B4. Labour Standards**

**PREVENTION OF CHILD AND FORCED LABOUR**

The Group prohibits the recruitment of child labour and has zero tolerance of forced labour. In accordance with the Regulations of the People's Republic of China on Special Protection of Juvenile Workers, Labour Standards Law in Japan and relevant foreign laws and regulations, the Group reviews the valid identity certificates of job applicants in the employee recruitment, onboarding approval and onboarding registration process. If violations are involved, they will be dealt with in the light of circumstances.

During the Reporting Period, the Group was not aware of any material non-compliance with related laws and regulations that would have a significant impact on the Group, including but not limited to Labour Contract Law of the People's Republic of China and Article 27 of Labour Standard Law in Japan.

In the process of employment, the Group, in accordance with the Labour Contract Law of the People's Republic of China and Article 27 of Labour Standard Law in Japan, respects the right and freedom of every employee to choose jobs, including freedom of employment, freedom to resign, freedom to work overtime and freedom of movement. The Group strictly prohibits any forms of forced labour, including contract labour and bonded labour, and never forces employees to work overtime. Employees have the right to form and join trade unions to safeguard their personal rights.

## B5. Supply Chain Management

The steady development of the Group's business is dependent on the reliable support of its suppliers. Suppliers are one of the important stakeholders in the Group's business value chain, and our relationship with them is close and inseparable. The Group is also fully committed to building a good partnership with our suppliers. To promote the business and cooperation with suppliers, the Group stipulates internal rules to regulate the process of procurement, explains the Group's principles and expectations to our partners, and requires suppliers to comply with all laws, international conventions, contractual requirements, and all codes of the Group. We have also established effective mechanisms to ensure that both parties will strictly act in accordance with laws and regulations.

### SUPPLIER APPOINTMENT

In terms of material procurement, supplier management, and the selection and evaluation of administrative supplies and services suppliers, we employ fair, impartial and open evaluation criteria. We also require suppliers to declare their interests to avoid conflicts of interest or tunnelling of interests. The Group has set up a series of evaluation indicators for supplier selection, including supplier's past experience, price, reputation, professional qualifications, ethics, environmental protection and corporate social responsibility performance. To ensure that the suppliers' performance continues to meet the Group's requirements, we assess their performance over the past year through an annual assessment to review whether to continue cooperation with them.

### SUSTAINABLE SUPPLY CHAIN

The Group puts great emphasis on the sustainability of value chain. While fulfilling our environmental and social responsibilities, we also expect our suppliers to operate in the same responsible manner. Accordingly, we incorporate sustainability considerations into our procurement and outsourcing process and require suppliers to meet basic standards. For example, all suppliers are required to abide by the following sustainability principles, and to ensure that their regular and temporary employees, suppliers and sub-suppliers confirm and comply with the requirements of this these principles.

**GREEN OPERATION**

To reduce the emissions and energy consumption due to transportation, the Group is encouraged to give priority to products of local suppliers where hardware and software conditions so permit, with an aim to prevent additional carbon emissions due to long distance of transporting goods. When local suppliers are selected, we also adopt a centralised approach to arrange as few deliveries as possible, and optimise delivery plans to reduce exhaust emissions during transportation. Meanwhile, when it is necessary to acquire or upgrade operating equipment, we will make reference to the information on the energy label to select energy-efficient models as far as possible in order to achieve better energy management efficiency.

**B6. Product Responsibility**

The Group stresses heavily on the performance of its products, and has therefore formulated an array of policies to facilitate better quality products and services.

During the Reporting Period, the Group did not have significant issues relating to violations in this respect, including but not limited to Law of the People's Republic of China on Protection of Consumer Rights and Interests of the People's Republic of China (《中華人民共和國消費者權益保護法》) and Product Liability Act in Japan.

**QUALITY MANAGEMENT**

The Group values the spirit of contract. The specifications of all products and services will be clearly specified in the contract to ensure that the customer understands details of the contract and to protect the interests of the buyer and the seller. We seek to provide the highest standards of products and services throughout our operations, which involve the application of proprietary systems and process to ensure compliance with local and international standards. In order to strengthen customer confidence in our products, the Group has established a quality inspection and evaluation team for incoming and outgoing products, to closely monitor the quality of products prior to delivery in accordance with the corresponding inspection procedures.

**FAIR PROMOTION**

The Group adheres to the principle of fair promotion to ensure that product information on the Group's publicity website and other promotional materials is true and accurate, and does not contain any false, exaggerated or excessive statements. In accordance with the Advertising Law of the People's Republic of China and Act Against Unjustifiable Premiums and Misleading Representations in Japan, the Group requires sales staff to disseminate information from the Group's recognised product strengths when promoting products, and avoid negative representations involving rivals or competing products to prevent customers from being misled when purchasing.

#### CUSTOMER DATA PROTECTION

According to the importance of protecting customer information, the Group strictly manages and keeps confidential information and documents related to customers' intellectual property rights in accordance with the requirements of the Confidentiality Measures and the Employee Handbook issued within the Group. Without permission, employees are not allowed to copy, privately store or take away such information and documents from the Group.

#### AFTER-SALE SERVICE

The Group is committed to providing efficient and courteous after-sale service to its customers, and has established e-mail boxes and hotlines as channels to maintain communication with customers and assist in answering any customer enquiries, resolving detail contract problems or other follow-up matters.

### B7. Anti-corruption

The Group is committed to building a corporate culture of integrity and business ethics. We have the standards of conduct to guide our employees and partners, which provide rules and guidelines for dealing with gifts, treats, transactions, financial management, etc.

During the Reporting Period, the Group did not have significant issues relating to violations in this respect, including but not limited to Company Law of the People's Republic of China (《中華人民共和國公司法》) and Unfair Competition Prevention Act in Japan.

The Group has followed and complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, including maintaining good corporate governance practices. To take forward a corporate culture of integrity and anti-corruption, we have established the anti-corruption practices and the benefit declaration process in our employee handbook. If any employee is involved in any corruption and fraud conduct, we will impose penalties based on the influence and consequence of such conduct according to the corporate rules. If the behaviour violates the law, it will be handled by the judicial authority according to law with zero tolerance.

#### ANTI-CORRUPTION PRACTICES

The Group has established Anti-corruption policy to avoid happening of corruption. No employee or director may seek or receive any preferential benefits, including money, gifts, loans, remuneration, work, contracts, services and sponsorship, especially when there is a conflict of interest between such benefits and the Group's business dealings.

**CONFLICTS OF INTEREST**

To avoid any conflict of interest during business transactions, all major transactions involving conflicts of interest within the Group must be disclosed to the board of directors according to the Policy on Declaration of Conflict of Interest, which can be found in the Employee Handbook. Board members involved in a conflict of interest may not vote on any resolution on such transactions.

**APPROVAL OF SERVICE CONTRACTS**

To maintain close monitoring on potential corruption, all the important service contracts are subject to approval by the board of directors. Approved service contracts shall be reviewed by the Nomination Committee, which consists of one executive director and two independent non-executive directors.

**WHISTLE-BLOWING MECHANISM**

To firmly reject the occurrence of corruption, frauds, etc., the Group has established whistle-blowing policy for employees and other stakeholders to report any suspected improper or illegal activities through any anonymous ways such as by mail, email, telephone, etc. The Group will investigate and handle the case once internal corruption related information is received. The investigations are administered on a confidential basis and there will be no reprisal against employees.

## B8. Community Investment

**ACTIVE COMMUNITY PARTICIPATION**

As a responsible corporate citizen, the Group is well aware that its responsibility is not only to contribute directly to the economy, but also to generate positive impact on the society as a whole through our business operations and public welfare programs. In the past year, the Group actively participated in community activities to give back to the society. The Group is committed to promoting charity, helping the disadvantaged, and supporting academic and scientific research for the well-being of the next generation in the principle of "From the Community, For the Community". The Group has also set up a team of staff volunteers to participate in public welfare activities such as visiting the elderly living alone, supporting needy families and helping students in need. In the future, the Group will continue to focus its community investment efforts on scientific research and development, national development and poverty alleviation to give back to the society.

Grant Thornton
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**To the members of Realord Group Holdings Limited**
(incorporated in Bermuda with limited liability)

## OPINION

We have audited the consolidated financial statements of Realord Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 85 to 217, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How the matter was addressed in our audit |
| --- | --- |
| *Valuation of investment properties* | |
| We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with management judgment associated with determining the fair value.<br><br>The Group's investment properties are situated in Hong Kong and the People's Republic of China. As at 31 December 2020, the Group's investment properties amounting to HK$11,839,176,000 and represented 71% of the Group's total assets. As disclosed in note 18 to the consolidated financial statements, net gain on fair value changes of investment properties of HK$2,463,416,000 was recognised in profit or loss.<br><br>All of the Group's investment properties are stated at fair values based on valuations performed by a firm of independent qualified professional valuers (the "Valuer"). The valuations are dependent on certain significant unobservable inputs, including price/gross development value per square meter/bay/square feet, which are determined based on comparable transactions after applying adjusting factors to reflect the conditions and locations of the subject properties. Details of the valuation methodologies and significant unobservable inputs used in the valuations are disclosed in note 18 to the consolidated financial statements. | Our procedures in relation to the valuation of investment properties included the following:<br><br>• evaluated the competence, capabilities and objectivity of the Valuer;<br><br>• obtained an understanding from the Valuer about the valuation methodologies, significant unobservable inputs and critical judgment on key inputs and data used in the valuations;<br><br>• assessed the reasonableness of valuation methodologies used by the Valuer with the assistance from our valuation experts;<br><br>• assessed the reasonableness of significant unobservable inputs used by the Valuer with the assistance from our valuation experts by comparing them, on a sample basis, to publicly available information of similar comparable properties;<br><br>• evaluated the reasonableness of adjusting factors on the conditions and locations of the properties made by the Valuer with the assistance from our valuation experts by comparing them with historical adjusting factors applied, comparability and other market factors for similar properties;<br><br>• obtained government documents and supporting evidences for the change of land use; and<br><br>• performed site visit to the major investment properties. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| *Impairment assessment of proposed development project* | |
| We identified the impairment assessment of proposed development project as a key audit matter due to the significance of the balance to the consolidated financial statements and the involvement of subjective judgment and management estimates in evaluating the recoverable amount of the Group's proposed development project at the end of the reporting period.<br><br>As at 31 December 2020, the Group's proposed development project amounting to HK$1,634,083,000.<br><br>Management assessed whether proposed development project has suffered any impairment in accordance with the accounting policy stated in note 3.15 to the consolidated financial statements. The recoverable amount of cash-generating unit has been determined by management with assistance from the Valuer based on value in use calculation. The value in use calculation uses cash flow projection based on financial budgets approved by management which involves the use of judgement applied by management such as determining discount rate, price per square meter/bay, construction cost and gross margin. | Our procedures in relation to the impairment assessment of proposed development project included the following:<br><br>• obtained an understanding of the progress of the proposed development project from management;<br><br>• performed site visit to the proposed development project;<br><br>• evaluated the competence, capabilities and objectivity of the Valuer;<br><br>• obtained an understanding from the Valuer about the valuation methodology and key assumptions used in the value in use calculation;<br><br>• involved our valuation experts to evaluate the methodology used to determine the value in use, and benchmarked the discount rates applied to other comparable companies in the same industry; and<br><br>• involved our valuation experts to assess the reasonableness of key assumptions used by management such as price per square meter/bay, construction cost, gross margin and discount rate. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| *Impairment assessment of trade receivables, receivables arising from securities broking and loan receivables* | |
| We identified the impairment assessment of trade receivables, receivables arising from securities broking and loan receivables as a key audit matter due to the significance of the balances to the consolidated financial statements and the involvement of subjective judgment and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables, receivables arising from securities broking and loan receivables at the end of the reporting period.<br><br>As disclosed in note 24 to the consolidated financial statements, net trade receivables, receivables arising from securities broking and loan receivables amounting to HK$449,409,000, HK$163,373,000 and HK$157,053,000 as at 31 December 2020, respectively.<br><br>As set out in note 4 to the consolidated financial statements, the Group recognises a credit loss allowance for trade receivables, receivables arising from securities broking and loan receivables by adopting the ECL model individually on each debtor in the current year. In calculating the credit loss allowance, the loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure of default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort. | Our procedures in relation to the impairment assessment of trade receivables, receivables arising from securities broking and loan receivables included the following:<br><br>• obtained an understanding of the internal controls and process over credit risk assessment and how management estimates the credit loss allowance for trade receivables, receivables arising from securities broking and loan receivables;<br><br>• assessed the appropriateness of the credit loss allowance calculation methodology used by management;<br><br>• tested the accuracy of the ECL adjustment made by the Group;<br><br>• involved our valuation experts to test the integrity of information used by management in assessing the credit risk of individual debtors, on a sample basis, by checking the loss rates of the debtors to independent source and comparing historical default rates to the actual losses recorded during the current year; |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How the matter was addressed in our audit |
| --- | --- |
| *Impairment assessment of trade receivables, receivables arising from securities broking and loan receivables (Continued)* | |
| As disclosed in note 49b to the consolidated financial statements, the Group recognised net impairment losses of HK$4,682,000, HK$1,947,000 and HK$20,626,000 on trade receivables, receivables arising from securities broking and loan receivables, respectively, for the current year. As at 31 December 2020, the Group's credit loss allowance on trade receivables, receivables arising from securities broking and loan receivables amounting to HK$11,019,000, HK$1,956,000 and HK$20,626,000, respectively. | • challenged management's basis and judgment in determining credit loss allowance on trade receivables, receivables arising from securities broking and loan receivables as at 31 December 2020, including their identification of credit-impaired trade receivables, receivables arising from securities broking and loan receivables and the reasonableness of the basis of estimated loss rates applied and exposure of default for each individual debtor with reference to historical default rates, forward-looking information and value of pledged securities; and<br><br>• evaluated the disclosures regarding the impairment assessment of trade receivables, receivables arising from securities broking and loan receivables in note 49b to the consolidated financial statements. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Grant Thornton Hong Kong Limited**
*Certified Public Accountants*
Level 12
28 Hennessy Road
Wanchai
Hong Kong

22 March 2021

Ng Ka Kong
Practising Certificate No.: P06919

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Revenue** | 5 | | |
| – Goods and services | | **834,364** | 811,196 |
| – Rental income | | **10,888** | 10,569 |
| – Interest | | **24,089** | 7,133 |
| Total revenues | | **869,341** | 828,898 |
| Cost of sales | | **(668,238)** | (640,783) |
| **Gross profit** | | **201,103** | 188,115 |
| Other income | 7A | **43,317** | 27,367 |
| Other gains and losses | 7B | **(343,615)** | 15,302 |
| (Impairment losses)/Reversal of impairment losses, net | 8 | **(27,255)** | 8,591 |
| Gain/(Loss) on fair value changes of investment properties, net | 18 | **2,463,416** | (202,594) |
| Loss on early redemption of promissory notes | 38 | **–** | (439,781) |
| Gain on re-measurement of previously held interests in an associate | 42b | **–** | 709,402 |
| Selling and distribution expenses | | **(12,110)** | (10,806) |
| Administrative expenses | | **(244,504)** | (191,015) |
| Share of result of an associate | | **–** | (1,222) |
| Finance costs | 9 | **(630,382)** | (534,104) |
| **Profit/(Loss) before income tax** | | **1,449,970** | (430,745) |
| Income tax (expense)/credit | 10 | **(557,652)** | 26,056 |
| **Profit/(Loss) for the year** | 11 | **892,318** | (404,689) |
| **Attributable to:** | | | |
| Owners of the Company | | **885,185** | (415,529) |
| Non-controlling interests | | **7,133** | 10,840 |
| | | **892,318** | (404,689) |
| **Earnings/(Loss) per share** | | | |
| Basic (HK cents) | 15 | **61.55** | (28.89) |
| Diluted (HK cents) | 15 | **61.52** | (28.89) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Profit/(Loss) for the year** | **892,318** | (404,689) |
| **Other comprehensive income/(expense)** | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| Gain on property revaluation | **1,188** | 725 |
| Income tax relating to gain on property revaluation | **(297)** | (181) |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translation of foreign operations: | | |
| – Subsidiaries | **274,776** | (119,184) |
| – An associate | **–** | 135 |
| **Other comprehensive income/(expense) for the year, net of income tax** | **275,667** | (118,505) |
| **Total comprehensive income/(expense) for the year** | **1,167,985** | (523,194) |
| **Attributable to:** | | |
| Owners of the Company | **1,160,554** | (534,403) |
| Non-controlling interests | **7,431** | 11,209 |
| | **1,167,985** | (523,194) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 16 | **447,153** | 488,433 |
| Prepaid lease payments | 17 | **4,977** | 4,842 |
| Investment properties | 18 | **11,839,176** | 8,863,251 |
| Goodwill | 19 | **87,390** | 87,390 |
| Other intangible assets | 20 | **43,396** | 46,184 |
| Investment in an associate | 21 | **–** | – |
| Equity instrument at fair value through other comprehensive income ("FVTOCI") | 22 | **8,899** | – |
| Prepayments, deposits and other receivables | 25 | **14,787** | 14,562 |
| | | **12,445,778** | 9,504,662 |
| **CURRENT ASSETS** | | | |
| Inventories | 23 | **36,538** | 67,062 |
| Trade receivables | 24 | **449,409** | 321,088 |
| Receivables arising from securities broking | 24 | **163,373** | 89,481 |
| Loan receivables | 24 | **157,053** | – |
| Prepayments, deposits and other receivables | 25 | **425,961** | 368,781 |
| Proposed development project | 26 | **1,634,083** | 1,622,738 |
| Tax recoverable | | **4,121** | 3,661 |
| Financial assets at fair value through profit or loss ("FVTPL") | 27 | **15,297** | 14,130 |
| Cash held on behalf of clients | 28 | **119,538** | 6,292 |
| Bank balances and cash | 29 | **1,268,295** | 585,052 |
| | | **4,273,668** | 3,078,285 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 30 | **34,819** | 55,360 |
| Payables arising from securities broking | 30 | **139,642** | 16,853 |
| Contract liabilities | 31 | **35,743** | 5,141 |
| Other payables and accruals | 32 | **168,699** | 100,601 |
| Bank borrowings and overdrafts | 33 | **722,366** | 524,923 |
| Amounts due to related parties | 34 | **71,861** | 69,496 |
| Lease liabilities | 35 | **33,893** | 29,794 |
| Tax payable | | **6,605** | 17,696 |
| | | **1,213,628** | 819,864 |
| **NET CURRENT ASSETS** | | **3,060,040** | 2,258,421 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **15,505,818** | 11,763,083 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Notes | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 39 | **143,821** | 143,821 |
| Reserves | | **3,361,642** | 2,201,274 |
| Equity attributable to owners of the Company | | **3,505,463** | 2,345,095 |
| Non-controlling interests | | **906,111** | 874,195 |
| | | **4,411,574** | 3,219,290 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | 36 | **914,565** | 339,709 |
| Other payables and accruals | 32 | **44,693** | 42,353 |
| Loans from ultimate holding company | 37 | **744,192** | 687,688 |
| Promissory notes | 38 | **–** | – |
| Bank borrowings | 33 | **9,385,657** | 7,444,069 |
| Lease liabilities | 35 | **5,137** | 29,974 |
| | | **11,094,244** | 8,543,793 |
| | | **15,505,818** | 11,763,083 |

**Lin Xiaohui**
*Director*

**Su Jiaohua**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Shares to be issued | Share options reserve | Statutory reserve | Capital reserve | Assets revaluation reserve | Exchange translation reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | (note 39) | | | (note 40) | (note a) | (note b) | | | | | | |
| As at 1 January 2019 | 143,571 | 1,907,379 | 11,498 | 15,054 | 2,949 | 586,594 | 30,650 | (446,702) | 627,455 | 2,878,448 | 53,978 | 2,932,426 |
| (Loss)/Profit for the year | – | – | – | – | – | – | – | – | (415,529) | (415,529) | 10,840 | (404,689) |
| *Other comprehensive income/(expense) for the year:* | | | | | | | | | | | | |
| Gain on property revaluation | – | – | – | – | – | – | 437 | – | – | 437 | 288 | 725 |
| Income tax relating to gain on property revaluation | – | – | – | – | – | – | (109) | – | – | (109) | (72) | (181) |
| Exchange differences arising on translation of foreign operations | | | | | | | | | | | | |
| – Subsidiaries | – | – | – | – | – | – | – | (119,337) | – | (119,337) | 153 | (119,184) |
| – An associate | – | – | – | – | – | – | – | 135 | – | 135 | – | 135 |
| Total comprehensive income/(expense) for the year | – | – | – | – | – | – | 328 | (119,202) | (415,529) | (534,403) | 11,209 | (523,194) |
| Acquisition of subsidiary (note 41) | – | – | – | – | – | – | – | – | – | – | 19,971 | 19,971 |
| Acquisition of assets through acquisition of subsidiary (note 42b) | – | – | – | – | – | – | – | (78) | 78 | – | 774,437 | 774,437 |
| Issue of shares | 250 | 11,248 | (11,498) | – | – | – | – | – | – | – | – | – |
| Capital contributions from non-controlling interests | – | – | – | – | – | – | – | – | 1,050 | 1,050 | 14,600 | 15,650 |
| Transactions with owners | 250 | 11,248 | (11,498) | – | – | – | – | (78) | 1,128 | 1,050 | 809,008 | 810,058 |
| As at 31 December 2019 | 143,821 | 1,918,627 | – | 15,054 | 2,949 | 586,594 | 30,978 | (565,982) | 213,054 | 2,345,095 | 874,195 | 3,219,290 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 (note 39) | Share premium HK$'000 | Shares to be issued HK$'000 | Share options reserve HK$'000 (note 40) | Statutory reserve HK$'000 (note a) | Capital reserve HK$'000 (note b) | Assets revaluation reserve HK$'000 | Exchange translation reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| As at 1 January 2020 | 143,821 | 1,918,627 | – | 15,054 | 2,949 | 586,594 | 30,978 | (565,982) | 213,054 | 2,345,095 | 874,195 | 3,219,290 |
| Profit for the year | – | – | – | – | – | – | – | – | 885,185 | 885,185 | 7,133 | 892,318 |
| *Other comprehensive income/(expense) for the year:* | | | | | | | | | | | | |
| Gain on property revaluation | – | – | – | – | – | – | 728 | – | – | 728 | 460 | 1,188 |
| Income tax relating to gain on property revaluation | – | – | – | – | – | – | (182) | – | – | (182) | (115) | (297) |
| Exchange differences arising on translation of foreign operations – Subsidiaries | – | – | – | – | – | – | – | 274,823 | – | 274,823 | (47) | 274,776 |
| Total comprehensive income for the year | – | – | – | – | – | – | 546 | 274,823 | 885,185 | 1,160,554 | 7,431 | 1,167,985 |
| Capital contributions from non-controlling interests | – | – | – | – | – | – | – | – | (186) | (186) | 24,485 | 24,299 |
| Transactions with owners | – | – | – | – | – | – | – | – | (186) | (186) | 24,485 | 24,299 |
| As at 31 December 2020 | 143,821 | 1,918,627 | – | 15,054 | 2,949 | 586,594 | 31,524 | (291,159) | 1,098,053 | 3,505,463 | 906,111 | 4,411,574 |

Notes:

(a) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 5% to 10% of the profit after income tax to the statutory reserve until the reserve reaches 50% of the corresponding registered capital. Transfer to reserve must be made before the distribution of dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(b) Capital reserve of HK$586,594,000 represents the deemed contribution by Dr. Lin Xiaohui ("Dr. Lin") and Madam Su Jiaohua ("Madam Su") through Manureen Holdings Limited ("Manureen Holdings") as the controlling shareholders of Realord Group Holdings Limited ( the "Company"), in the acquisition of assets through acquisition of subsidiaries by the Company from them in 2018. The contribution by the controlling shareholders represents the difference between the net assets acquired (net of settlement of outstanding debts) of HK$7,909,770,000 and the fair value of total consideration of HK$7,323,176,000.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/(Loss) before income tax | | **1,449,970** | (430,745) |
| Adjustments for: | | | |
| Amortisation for other intangible asset | | **2,788** | – |
| Depreciation | | | |
| – Owned assets | | **25,517** | 12,669 |
| – Right-of-use assets | | **33,158** | 28,191 |
| – Prepaid lease payments | | **112** | 122 |
| Exchange loss/(gain) on loans from ultimate holding company | | **14,824** | (13,014) |
| Exchange loss on promissory notes | | **–** | 33,749 |
| Exchange loss on bank borrowings | | **493,916** | – |
| Finance costs | 9 | **630,382** | 534,104 |
| Bank interest income | 7A | **(26,531)** | (13,481) |
| Dividend income | 7A | **(219)** | – |
| Interest income from margin financing | | **(13,421)** | (7,133) |
| Interest income on credit-impaired loan receivables | 7A | **(7,062)** | (5,981) |
| Gain on re-measurement of previously held interests in an associate | 42b | **–** | (709,402) |
| (Gain)/Loss on fair value changes of investment properties, net | 18 | **(2,463,416)** | 202,594 |
| Loss on early redemption of promissory notes | 38 | **–** | 439,781 |
| Impairment losses/(Reversal of impairment losses), net | 8 | **27,255** | (8,591) |
| Loss on disposal of property, plant and equipment | 7B | **58** | – |
| Revaluation deficit on property, plant and equipment | 7B | **23,369** | 31 |
| Unrealised fair value loss/(gain) on financial assets at FVTPL | 7B | **4,353** | (3,737) |
| Share of result of an associate | | **–** | 1,222 |
| Operating cash flows before movements in working capital | | **195,053** | 60,379 |
| Decrease in inventories | | **30,524** | 78,134 |
| (Increase)/Decrease in trade receivables | | **(133,003)** | 184,843 |
| Increase in receivables arising from securities broking | | **(75,839)** | (26,718) |
| Increase in loan receivables | | **(177,679)** | – |
| (Increase)/Decrease in prepayments, deposits and other receivables | | **(69,184)** | 9,339 |
| Increase in proposed development project | | **(8,534)** | (11,954) |
| (Increase)/Decrease in financial assets at FVTPL | | **(5,520)** | 86,237 |
| (Increase)/Decrease in cash held on behalf of clients | | **(113,246)** | 2,162 |
| Decrease in trade payables | | **(20,541)** | (167,415) |
| Increase/(Decrease) in payables arising from securities broking | | **122,789** | (2,792) |
| Increase in contract liabilities | | **30,602** | 218 |
| Increase in other payables and accruals | | **58,198** | 1,736 |
| Cash (used in)/generated from operations | | **(166,380)** | 214,169 |
| Interest received | | **13,421** | 7,133 |
| Income taxes paid | | **(14,694)** | (2,744) |
| *Net cash (used in)/from operating activities* | | **(167,653)** | 218,558 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Acquisition of subsidiaries | | – | (536,042) |
| Purchase of property, plant and equipment | | **(22,961)** | (6,026) |
| Payment for acquisition of an equity investment | 22 | **(8,899)** | – |
| Additions to investment properties | 18 | – | (39) |
| Payment for purchased or originated credit-impaired loan receivables | | – | (53,575) |
| Lending of a loan receivable | | – | (102,346) |
| Proceeds from disposal of property, plant and equipment | | **85** | – |
| Proceeds from disposal of an equity instrument | | – | 30,681 |
| Proceeds from repayment of a loan receivable | | – | 101,746 |
| Proceeds from repayment of other receivables from a local government authority | | **18,841** | – |
| Bank interest received | | **26,531** | 13,481 |
| Dividend received | | **219** | – |
| *Net cash from/(used in) investing activities* | | **13,816** | (552,120) |
| **Financing activities** | | | |
| New bank borrowings raised | | **1,984,979** | 3,581,779 |
| Loans from ultimate holding company | | **3,434,748** | 2,100,206 |
| Proceeds from related parties | | – | 6,738 |
| Repayment of bank borrowings | | **(553,189)** | (876,481) |
| Repayment of promissory notes | 38 | – | (2,006,365) |
| Repayment to ultimate holding company | | **(3,393,068)** | (2,220,964) |
| Repayment to related parties | | **(1,549)** | (37,938) |
| Payment of lease liabilities | | **(33,064)** | (27,327) |
| Proceeds on disposal of partial interests in a subsidiary | | – | 13,000 |
| Proceeds from issue of shares to non-controlling interests | | **24,485** | 2,650 |
| Interest paid | | **(628,042)** | (492,225) |
| *Net cash from financing activities* | | **835,300** | 43,073 |
| **Net increase/(decrease) in cash and cash equivalents** | | **681,463** | (290,489) |
| Cash and cash equivalents at the beginning of the year | | **565,052** | 876,544 |
| Effect of changes in foreign exchange rates | | **21,780** | (21,003) |
| **Cash and cash equivalents at the end of the year** | | **1,268,295** | 565,052 |
| **Cash and cash equivalents at the end of the year, represented by** | | | |
| Bank balances and cash | | **1,268,295** | 585,052 |
| Bank overdrafts | 33 | – | (20,000) |
| | | **1,268,295** | 565,052 |

## 1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Manureen Holdings, a private limited company incorporated in the British Virgin Islands ("BVI"). The ultimate shareholders of Manureen Holdings are Dr. Lin and Madam Su, who own 70% and 30% equity interests of Manureen Holdings, respectively. Dr. Lin is also the chairman and an executive director of the Company and Madam Su is an executive director of the Company. 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. The principal activities of its principal subsidiaries are set out in note 52.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company.

In these consolidated financial statements, certain English name of the companies referred herein represent the management's best effort to translate the Chinese name of the companies as no English name has been registered.

The consolidated financial statements for the year ended 31 December 2020 were approved for issue by the board of directors on 22 March 2021.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Amendments to HKFRSs that are effective for the current year**

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

**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 related amendments[3] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[5] |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions[6] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current[3] |
| 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] |
| Accounting Guideline 5 (Revised) | Merger Accounting for Common Control Combination[5] |

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective date not yet determined
5 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

## 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 disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs; and
- Level 3: inputs are significant unobservable inputs for the asset or liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

### 3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.1 Basis of consolidation (Continued)

Changes in the Group's investments in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

### 3.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits”, respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

### 3.3 Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

### 3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.4 Goodwill (Continued)

A cash-generating unit ("CGU") (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described in note 3.5.

### 3.5 Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's investment in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.5 Investment in an associate (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the investment in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

### 3.6 Revenue

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.6 Revenue (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

For over time revenue recognition, the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Dividend income is recognised when the right to receive payment is established.

The Group's accounting policy for rental income is described in note 3.7.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Leases

***Definition of a lease and the Group as a lessee***

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

*Measurement and recognition of leases as a lessee*

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Leases (Continued)

***Definition of a lease and the Group as a lessee (Continued)***

*Measurement and recognition of leases as a lessee (Continued)*

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Leases (Continued)

***Definition of a lease and the Group as a lessee (Continued)***

*Measurement and recognition of leases as a lessee (Continued)*

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in "Property, plant and equipment". Right-of-use assets that meet the definition of investment property are presented within "Investment properties". The prepaid lease payments for leasehold land are presented as "Prepaid lease payments" under non-current assets.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Leases (Continued)

***The Group as a lessor***

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

***Prepaid lease payments***

"Prepaid lease payments" (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.8 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 3.10 Employee benefits

***Retirement benefit costs***

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

***Short-term employee benefits***

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.10 Employee benefits (Continued)

*Share-based payment arrangements*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

### 3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before income tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.11 Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.12 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 3.7) including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values, if any, over their estimated useful lives, using the straight-line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any revaluation increase arising from revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in assets revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the assets revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.13 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.14 Intangible assets

***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair values at the acquisition date (which is regarded as their costs).

Intangible asset acquired in a business combination with finite useful life is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful life is recognised on straight-line basis over its estimated useful life. Amortisation commences when the intangible asset is available for use. The following useful life is applied:

| | |
|---|---|
| Trademark | 10 years |

Licenses acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The licenses have a legal life of one year but is renewable every one year at minimal cost. The directors of the Company are of the opinion that the Group would renew the licenses continuously and has the ability to do so. Licenses have been considered to have an indefinite life because they are expected to contribute to the net cash flows of the Group indefinitely, and are not amortised.

At the end of the reporting period, the Group reviews the amortisation method of an intangible asset with finite useful life and the useful life of an intangible asset that is not being amortised to determine whether events and circumstances continue to support an indefinite useful life assessment of that asset.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.15 Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets (including property, plant and equipment (including right-of-use assets) and prepaid lease payments), proposed development project, intangible assets with finite useful lives and the Company's investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of these tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.15 Impairment on tangible and intangible assets other than goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 3.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### 3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3.18 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses ("ECL"), to the amortised cost on initial recognition.

***Financial assets***

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Financial instruments (Continued)

***Financial assets (Continued)***

*Classification and subsequent measurement of financial assets (Continued)*

Financial assets (debt investments) that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Financial instruments (Continued)

***Financial assets (Continued)***

*Classification and subsequent measurement of financial assets (Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Equity instruments designated at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income" line item in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Financial instruments (Continued)

***Financial assets (Continued)***

*Classification and subsequent measurement of financial assets (Continued)*

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Other gains and losses" line item.

*Impairment of financial assets*

The Group performs impairment assessment under ECL model on financial assets which are subject to impairment assessment under HKFRS 9 (including trade and other receivables, receivables arising from securities broking, loan receivables, cash held on behalf of clients and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognises lifetime ECL for trade receivables, receivables arising from securities broking and loan receivables. The ECL on these assets are assessed individually for each debtor and those balances that are credit-impaired.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Financial instruments (Continued)

***Financial assets (Continued)***

*Impairment of financial assets (Continued)*

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Financial instruments (Continued)

***Financial assets (Continued)***

*Impairment of financial assets (Continued)*

(i) Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Financial instruments (Continued)

***Financial assets (Continued)***

*Impairment of financial assets (Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Financial instruments (Continued)

***Financial assets (Continued)***

*Impairment of financial assets (Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments and the corresponding adjustment is recognised through a loss allowance account.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in reserve is not reclassified to profit or loss, but is transferred to retained profits.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Financial instruments (Continued)

***Financial liabilities and equity***

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost, using the effective interest method or at FVTPL.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Offsetting a financial asset and a financial liability***

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 3.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as "Other payables and accruals" in the consolidated statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets/deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.20 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.21 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### 3.22 Share capital

Ordinary shares are classified as equity.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### 4.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### 4.1 Critical judgments in applying accounting policies (Continued)

*Deferred taxation on investment properties*

For the purposes of measuring deferred taxes arising from investment properties that are using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties situated in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those remaining properties situated in the PRC and Hong Kong are not held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for certain properties situated in the PRC but is not rebutted for the remaining properties situated in the PRC and Hong Kong. The Group has not recognised any deferred taxes on changes in fair value of the investment properties situated in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties. Deferred tax on the changes in fair value relating to those investment properties in the PRC in which their carrying amounts are not recovered entirely through sales is recognised according to the relevant tax rules.

### 4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Valuation of investment properties*

The Group's investment properties are situated in Hong Kong and the PRC. As at 31 December 2020, the Group's investment properties amounted to HK$11,839,176,000 (2019: HK$8,863,251,000) and represented 71% (2019: 70%) of the Group's total assets. As disclosed in note 18, net gain on fair value changes of investment properties of HK$2,463,416,000 (2019: net loss on HK$202,594,000) was recognised in profit or loss. All of the Group's investment properties are stated at fair values based on valuations performed by a firm of independent qualified professional valuers. The valuations are dependent on certain significant unobservable inputs, including price/gross development value ("GDV") per square meter/bay/square feet, which are determined based on comparable transactions after applying adjusting factors to reflect the conditions and locations of the subject properties. Details of the valuation methodologies and significant unobservable inputs used in the valuations are disclosed in note 18.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### 4.2 Key sources of estimation uncertainty (Continued)

***Impairment assessment on proposed development project***

As at 31 December 2020, the Group's proposed development project amounted to HK$1,634,083,000 (2019: HK$1,622,738,000). The Group assesses whether proposed development project has suffered any impairment in accordance with accounting policy stated in note 3.15 to the consolidated financial statements. The recoverable amount of CGU has been determined based on value in use calculation or its fair value less cost of disposal, whichever is higher, and both bases require the Group to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Management expects that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of proposed development project to exceed its recoverable amount.

***Impairment assessment on trade receivables, receivables arising from securities broking and loan receivables***

The Group recognises a credit loss allowance for trade receivables, receivables arising from securities broking and loan receivables by adopting the ECL model individually on each debtor in the current year. In calculating the credit loss allowance, the loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure of default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort. Such calculation of ECL has involved subjective judgment and management estimates.

As at 31 December 2020, net trade receivables, receivables arising from securities broking and loan receivables amounted to HK$449,409,000 (2019: HK$321,088,000), HK$163,373,000 (2019: HK$89,481,000) and HK$157,053,000 (2019: Nil), respectively. The information about the ECL and the Group's trade receivables, receivables arising from securities broking and loan receivables are disclosed in notes 24 and 49b, respectively.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### 4.2 Key sources of estimation uncertainty (Continued)

***Impairment assessment on goodwill and other intangible assets with indefinite useful lives in relation to Financial Services Segment and Environmental Protection Segment (as defined in note 6)***

Determining whether goodwill and other intangible assets with indefinite useful lives are impaired requires an estimation of the recoverable amounts of the respective CGUs to which goodwill and other intangible assets with indefinite useful lives have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the respective CGUs and a suitable discount rate in order to calculate the present value of the cash flows of the respective CGUs. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss would arise.

Details of impairment assessment of goodwill and other intangible assets with indefinite useful lives are disclosed in notes 19 and 20, respectively.

## 5. REVENUE

The Group recognises revenue from the following major sources:

(i) Revenue from sale of motor vehicle parts is recognised at a point in time when the control of goods has been transferred to customers upon delivery;

(ii) Revenue from dismantling and trading of scrap materials is recognised at a point in time when the control of the specific type of scrap materials, either dismantled or not, as requested by the customers, has been transferred to them upon delivery;

(iii) Revenue from sale of other goods including hangtags, labels, shirt paper boards and plastic bags is recognised at a point in time when the customer obtains control of the distinct goods;

(iv) Revenue from rendering of financial printing, digital printing and other related services is recognised over time using the output method because the customer simultaneously receives and consumes the benefits as the Group performs;

(v) Revenue from commission income from securities broking is recognised at a point in time upon execution of orders for purchase or sale of securities on behalf of clients;

(vi) Revenue from rendering of corporate finance advisory, asset management and other related services is recognised over time using the output method because the customer simultaneously receives and consumes the benefits as the Group performs or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; and

(vii) Revenue from interest income from margin financing and money lending is recognised on a time proportion basis using the effective interest method.

## 5. REVENUE (Continued)

### (a) Disaggregation of revenue from contracts with customers

| Type of goods and services | Commercial printing HK$'000 | Hangtag HK$'000 | Motor vehicle parts HK$'000 | Financial services HK$'000 | Property HK$'000 | Environmental protection HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | | | | |
| Sales of goods | | | | | | | |
| – Motor vehicle parts | – | – | 159,287 | – | – | – | 159,287 |
| – Scrap materials | – | – | – | – | – | 544,070 | 544,070 |
| – Hangtags, labels, shirt paper boards and plastic bags | – | 223 | – | – | – | – | 223 |
| | – | 223 | 159,287 | – | – | 544,070 | 703,580 |
| Rendering of services | | | | | | | |
| – Printing services | 72,732 | – | – | – | – | – | 72,732 |
| – Financial services | – | – | – | 51,518 | – | – | 51,518 |
| – Commission income from securities broking | – | – | – | 6,534 | – | – | 6,534 |
| Revenue from contracts with customers | 72,732 | 223 | 159,287 | 58,052 | – | 544,070 | 834,364 |
| Revenue from gross rental income | – | – | – | – | 10,888 | – | 10,888 |
| Revenue from interest income from margin financing | – | – | – | 13,421 | – | – | 13,421 |
| Revenue from interest income from money lending business | – | – | – | 10,668 | – | – | 10,668 |
| Total | 72,732 | 223 | 159,287 | 82,141 | 10,888 | 544,070 | 869,341 |
| **Geographical markets** | | | | | | | |
| The PRC | – | – | 72,373 | – | 10,184 | 344,993 | 427,550 |
| Hong Kong | 72,732 | 223 | 86,914 | 82,141 | 704 | 98,153 | 340,867 |
| Japan | – | – | – | – | – | 98,484 | 98,484 |
| Other countries | – | – | – | – | – | 2,440 | 2,440 |
| Total | 72,732 | 223 | 159,287 | 82,141 | 10,888 | 544,070 | 869,341 |
| **Timing of revenue recognition** | | | | | | | |
| A point in time | – | 223 | 159,287 | 6,534 | – | 544,070 | 710,114 |
| Over time | 72,732 | – | – | 51,518 | – | – | 124,250 |
| **Revenue out of the scope of HKFRS 15** | | | | | | | |
| Rental income | – | – | – | – | 10,888 | – | 10,888 |
| Interest income | – | – | – | 24,089 | – | – | 24,089 |
| Total | 72,732 | 223 | 159,287 | 82,141 | 10,888 | 544,070 | 869,341 |

## 5. REVENUE (Continued)

### (a) Disaggregation of revenue from contracts with customers (Continued)

| Type of goods and services | Commercial printing HK$'000 | Hangtag HK$'000 | Motor vehicle parts HK$'000 | Financial services HK$'000 | Property HK$'000 | Environmental protection HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Year ended 31 December 2019 | | | | | | | |
| Sales of goods | | | | | | | |
| – Motor vehicle parts | – | – | 107,013 | – | – | – | 107,013 |
| – Scrap materials | – | – | – | – | – | 592,217 | 592,217 |
| – Hangtags, labels, shirt paper boards and plastic bags | – | 349 | – | – | – | – | 349 |
| | – | 349 | 107,013 | – | – | 592,217 | 699,579 |
| Rendering of services | | | | | | | |
| – Printing services | 77,878 | – | – | – | – | – | 77,878 |
| – Financial services | – | – | – | 33,190 | – | – | 33,190 |
| – Commission income from securities broking | – | – | – | 549 | – | – | 549 |
| Revenue from contracts with customers | 77,878 | 349 | 107,013 | 33,739 | – | 592,217 | 811,196 |
| Revenue from gross rental income | – | – | – | – | 10,569 | – | 10,569 |
| Revenue from interest income from margin financing | – | – | – | 7,133 | – | – | 7,133 |
| Total | 77,878 | 349 | 107,013 | 40,872 | 10,569 | 592,217 | 828,898 |
| **Geographical markets** | | | | | | | |
| The PRC | 1,365 | – | 66,130 | – | 9,907 | 494,429 | 571,831 |
| Hong Kong | 76,513 | 349 | 40,883 | 40,872 | 662 | 71,687 | 230,966 |
| Japan | – | – | – | – | – | 25,689 | 25,689 |
| Other countries | – | – | – | – | – | 412 | 412 |
| Total | 77,878 | 349 | 107,013 | 40,872 | 10,569 | 592,217 | 828,898 |
| **Timing of revenue recognition** | | | | | | | |
| A point in time | – | 349 | 107,013 | 549 | – | 592,217 | 700,128 |
| Over time | 77,878 | – | – | 33,190 | – | – | 111,068 |
| **Revenue out of the scope of HKFRS 15** | | | | | | | |
| Rental income | – | – | – | – | 10,569 | – | 10,569 |
| Interest income | – | – | – | 7,133 | – | – | 7,133 |
| Total | 77,878 | 349 | 107,013 | 40,872 | 10,569 | 592,217 | 828,898 |

## 5. REVENUE (Continued)

### (b) Performance obligations for contracts with customers

(i) Sales of goods

The Group sells motor vehicle parts directly to customers. Revenue from sale of motor vehicle parts is recognised at a point in time when the control of goods has been transferred to customers upon the goods have been delivered to the location designated by the customers (delivery) as agreed in the sales contracts. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 days upon delivery.

The Group sells scrap materials directly to customers. Revenue from dismantling and trading of scrap materials is recognised at a point in time when the control of the specific type of scrap materials, either dismantled or not, as requested by the customers, has been transferred to them upon the goods have been delivered to the specific location (delivery) as agreed in the sales contracts. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 45 to 90 days upon delivery. A contract liability is recognised for advance from customers in which the revenue has yet been recognised.

The Group sells other goods including hangtags, labels, shirt paper boards and plastic bags directly to customers and those revenues are recognised at a point in time when the customer obtains control of the distinct goods upon the goods have been delivered to the specific location (delivery) as agreed in the sales contracts. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 45 to 90 days upon delivery.

## 5. REVENUE (Continued)

### (b) Performance obligations for contracts with customers (Continued)

(ii) Rendering of brokerage transaction services

The Group's commission income from securities broking is recognised at a point in time upon execution of orders for purchase or sale of securities on behalf of clients. Such commission income is calculated as a percentage of the transacted amount of securities purchased or sold. The commission income would be paid out of the cash held on behalf of clients upon purchase of securities or deducted from the proceeds received on behalf of clients upon disposal of securities.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

(iii) Rendering of financial printing, digital printing, corporate finance advisory, asset management and other related services

Revenue from rendering of printing services is recognised over time on the progress of work that the customer simultaneously receives and consumes the benefits performed by the Group.

Revenue from rendering of financial services is recognised over time on the progress of work that the customer simultaneously receives and consumes the benefits performed by the Group or the Group's performance does not create an asset with an alternative use to the Group and the Group has a right to payment at an amount that reasonably compensates it for its performance completed to date at all times throughout the contract.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services rendered to date. When the Group receives a deposit before the services rendered, this will give rise to contract liabilities until the revenue is recognised. The payment term is generally one month.

### (c) Transaction price allocated to the remaining performance obligation for contracts with customers

All printing services, brokerage services, financial services and sales of goods are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group is organised into business units based on their products and services and has six operating segments as follows:

(i) provision of financial printing, digital printing and other related services ("Commercial Printing Segment");

(ii) sales of hangtags, labels, shirt paper boards and plastic bags principally to manufacturers of consumer products ("Hangtag Segment");

(iii) distribution and sale of motor vehicle parts ("Motor Vehicle Parts Segment");

(iv) provision of corporate finance advisory, asset management, securities brokerage services, margin financing and money lending ("Financial Services Segment");

(v) property investment, development and commercial operation ("Property Segment"); and

(vi) environmental protection industry, mainly dismantling and trading of scrap materials ("Environmental Protection Segment").

Hangtag Segment does not meet any quantitative thresholds for reportable segment but this segment is separately disclosed as the CODM considers that the information about the segment would be useful to users of the consolidated financial statements.

## 6. SEGMENT INFORMATION (Continued)

### (a) Segment revenues and results

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

| | Commercial printing HK$'000 | Hangtag HK$'000 | Motor vehicle parts HK$'000 | Financial services HK$'000 | Property HK$'000 | Environmental protection HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | | | | |
| **Segment revenue** | | | | | | | |
| Sales to external customers | 72,732 | 223 | 159,287 | 82,141 | 10,888 | 544,070 | 869,341 |
| Inter-segment sales | 914 | – | – | 1,034 | 2,520 | – | 4,468 |
| | 73,646 | 223 | 159,287 | 83,175 | 13,408 | 544,070 | 873,809 |
| Elimination of inter-segment sales | | | | | | | (4,468) |
| Revenue | | | | | | | 869,341 |
| Segment results | 442 | (207) | 6,430 | 6,058 | 2,050,788 | 13,019 | 2,076,530 |
| Bank interest income | | | | | | | 26,531 |
| Other income | | | | | | | 1,089 |
| Net foreign exchange loss | | | | | | | (318,632) |
| Unrealised fair value loss on financial assets at FVTPL | | | | | | | (4,353) |
| Revaluation deficit on property, plant and equipment | | | | | | | (23,369) |
| Realised gain on disposal of financial assets at FVTPL | | | | | | | 2,797 |
| Compensation for legal case | | | | | | | (13,840) |
| Corporate expenses | | | | | | | (64,638) |
| Finance costs | | | | | | | (232,145) |
| Profit before income tax | | | | | | | 1,449,970 |

## 6. SEGMENT INFORMATION (Continued)

### (a) Segment revenues and results (Continued)

| | Commercial printing HK$'000 | Hangtag HK$'000 | Motor vehicle parts HK$'000 | Financial services HK$'000 | Property HK$'000 | Environmental protection HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Year ended 31 December 2019 | | | | | | | |
| **Segment revenue** | | | | | | | |
| Sales to external customers | 77,878 | 349 | 107,013 | 40,872 | 10,569 | 592,217 | 828,898 |
| Inter-segment sales | 607 | – | – | 13 | 630 | – | 1,250 |
| | 78,485 | 349 | 107,013 | 40,885 | 11,199 | 592,217 | 830,148 |
| Elimination of inter-segment sales | | | | | | | (1,250) |
| Revenue | | | | | | | 828,898 |
| Segment results | 678 | (76) | 10,052 | 12,622 | 73,305 | 44,735 | 141,316 |
| Bank interest income | | | | | | | 13,481 |
| Other income | | | | | | | 4,953 |
| Net foreign exchange gain | | | | | | | 104,609 |
| Unrealised fair value gain on financial assets at FVTPL | | | | | | | 3,737 |
| Revaluation deficit on property, plant and equipment | | | | | | | (31) |
| Realised loss on disposal of financial assets at FVTPL | | | | | | | (79,986) |
| Loss on early redemption of promissory notes | | | | | | | (439,781) |
| Corporate expenses | | | | | | | (69,529) |
| Finance costs | | | | | | | (109,514) |
| Loss before income tax | | | | | | | (430,745) |

## 6. SEGMENT INFORMATION (Continued)

### (a) Segment revenues and results (Continued)

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of bank interest income, certain other income, net foreign exchange gain/loss, unrealised fair value gain/loss on financial assets at FVTPL, revaluation deficit on property, plant and equipment, realised gain/loss on disposal of financial assets at FVTPL, compensation for legal case, loss on early redemption of promissory notes, corporate expenses and certain finance costs. This is the measurements reported to the CODM for the purposes of resource allocation and performance assessment.

### (b) Segment assets and liabilities

| | Commercial printing HK$'000 | Hangtag HK$'000 | Motor vehicle parts HK$'000 | Financial services HK$'000 | Property HK$'000 | Environmental protection HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | | | |
| Segment assets | **23,133** | **127** | **122,295** | **647,175** | **13,706,570** | **528,257** | **15,027,557** |
| Corporate and unallocated assets | | | | | | | **1,691,889** |
| Total assets | | | | | | | **16,719,446** |
| Segment liabilities | **30,882** | **25** | **21,746** | **155,443** | **7,232,905** | **127,289** | **7,568,290** |
| Corporate and unallocated liabilities | | | | | | | **4,739,582** |
| Total liabilities | | | | | | | **12,307,872** |
| As at 31 December 2019 | | | | | | | |
| Segment assets | 39,061 | 266 | 110,481 | 229,309 | 10,982,609 | 439,056 | 11,800,782 |
| Corporate and unallocated assets | | | | | | | 782,165 |
| Total assets | | | | | | | 12,582,947 |
| Segment liabilities | 41,946 | 42 | 9,430 | 32,221 | 4,876,898 | 107,287 | 5,067,824 |
| Corporate and unallocated liabilities | | | | | | | 4,295,833 |
| Total liabilities | | | | | | | 9,363,657 |

## 6. SEGMENT INFORMATION (Continued)

### (b) Segment assets and liabilities (Continued)

Segment assets exclude equity instrument at FVTOCI, tax recoverable, bank balances and cash, financial assets at FVTPL and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude certain bank borrowings and overdrafts, tax payable, deferred tax liabilities, loans from ultimate holding company and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

### (c) Other segment information

| | Commercial printing HK$'000 | Hangtag HK$'000 | Motor vehicle parts HK$'000 | Financial services HK$'000 | Property HK$'000 | Environmental protection HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Depreciation | | | | | | | | |
| – Owned assets | 884 | 156 | 548 | 709 | 11,343 | 4,208 | 7,669 | 25,517 |
| – Right-of-use assets | 10,393 | – | 2,277 | 5,903 | – | 4,598 | 9,987 | 33,158 |
| Gain on fair value changes of investment properties, net | – | – | – | – | (2,463,416) | – | – | (2,463,416) |
| Impairment losses/(Reversal of impairment losses), net | 1,496 | 1 | 98 | 22,537 | (146) | 3,269 | – | 27,255 |
| Revaluation deficit on property, plant and equipment | – | – | – | – | 23,833 | – | (464) | 23,369 |
| Loss on disposal of property, plant and equipment | – | – | – | – | – | 58 | – | 58 |
| Capital expenditure (note) | 458 | – | – | 907 | 1,223 | 28,675 | 1,570 | 32,833 |
| Interest expense | 394 | – | 277 | 3,933 | 281,849 | 3,140 | 340,789 | 630,382 |
| Interest income | – | – | – | (7,081) | – | – | (26,512) | (33,593) |
| Income tax expense | – | – | 261 | – | 558,910 | 2,630 | – | 561,801 |
| Income tax credit | (247) | – | – | (3,786) | – | – | (116) | (4,149) |

## 6. SEGMENT INFORMATION (Continued)

### (c) Other segment information (Continued)

| | Commercial printing HK$'000 | Hangtag HK$'000 | Motor vehicle parts HK$'000 | Financial services HK$'000 | Property HK$'000 | Environmental protection HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Year ended 31 December 2019 | | | | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Depreciation | | | | | | | | |
| – Owned assets | 1,060 | 182 | 615 | 469 | 122 | 1,684 | 8,537 | 12,669 |
| – Right-of-use assets | 10,816 | – | 2,466 | 3,935 | – | 987 | 9,987 | 28,191 |
| Loss on fair value changes of investment properties, net | – | – | – | – | 202,594 | – | – | 202,594 |
| (Reversal of impairment losses)/ Impairment losses, net | (673) | (1) | (7,040) | (2,851) | – | 1,974 | – | (8,591) |
| Loss on early redemption of promissory notes | – | – | – | – | – | – | 439,781 | 439,781 |
| Gain on re-measurement of previously held interests in an associate | – | – | – | – | (709,402) | – | – | (709,402) |
| Capital expenditure (note) | 78 | – | 705 | 68 | 576 | 5,814 | 3,057 | 10,298 |
| Interest expense | 659 | – | 1,332 | 1,728 | 187,254 | 3,374 | 339,757 | 534,104 |
| Interest income | – | – | – | (5,981) | – | – | (13,481) | (19,462) |
| Income tax expense | 400 | – | 1,781 | 5,702 | 31 | 9,624 | – | 17,538 |
| Income tax credit | – | – | (20) | (345) | (43,221) | – | (8) | (43,594) |

Note: Capital expenditure consists of additions to property, plant and equipment and investment properties.

## 6. SEGMENT INFORMATION (Continued)

### (d) Geographical information

(i) Revenue from external customers

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| The PRC | **427,550** | 571,831 |
| Hong Kong | **340,867** | 230,966 |
| Japan | **98,484** | 25,689 |
| Other countries | **2,440** | 412 |
| | **869,341** | 828,898 |

The revenue information above is based on the locations of the customers.

(ii) Non-current assets

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| The PRC | **11,362,377** | 8,341,685 |
| Hong Kong | **1,032,046** | 1,146,185 |
| Japan | **27,669** | 2,459 |
| | **12,422,092** | 9,490,329 |

The non-current assets information above is based on the locations of the assets and excludes non-current portion of financial instruments and certain deposits.

### (e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's total revenues are as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Customer A[1] | **192,010** | 152,386 |
| Customer B[1] | **N/A*** | 129,908 |

1 Revenue from Environmental Protection Segment
* Less than 10% of the Group's total revenues

## 7A. OTHER INCOME

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Bank interest income | **26,531** | 13,481 |
| Dividend income | **219** | – |
| Interest income on credit-impaired loan receivables | **7,062** | 5,981 |
| Government grants (note) | **6,921** | 103 |
| Rebate from bank borrowing | **–** | 2,400 |
| Others | **2,584** | 5,402 |
| | **43,317** | 27,367 |

Note: During the year ended 31 December 2020, the Group received funding support amounting to approximately HK$6,768,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 7B. OTHER GAINS AND LOSSES

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Loss on disposal of property, plant and equipment | **(58)** | – |
| Unrealised fair value (loss)/gain on financial assets at FVTPL | **(4,353)** | 3,737 |
| Realised gain/(loss) on disposal of financial assets at FVTPL | **2,797** | (79,986) |
| Net foreign exchange (loss)/gain | **(318,632)** | 91,582 |
| Revaluation deficit on property, plant and equipment | **(23,369)** | (31) |
| | **(343,615)** | 15,302 |

## 8. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES, NET

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| (Impairment losses)/Reversal of impairment losses, net, recognised on: | | |
| – trade receivables | **(4,682)** | 4,760 |
| – receivables arising from securities broking | **(1,947)** | 2,640 |
| – loan receivables | **(20,626)** | – |
| – purchased or originated credit-impaired loan receivables | **–** | (578) |
| Recovery of amounts written off in prior years: | | |
| – trade receivables | **–** | 739 |
| – receivables arising from securities broking | **–** | 1,030 |
| | **(27,255)** | 8,591 |

Details of impairment assessment for the years ended 31 December 2020 and 2019 are set out in note 49b.

## 9. FINANCE COSTS

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Interest on bank borrowings and overdrafts | **541,618** | 434,514 |
| Interest on loans from ultimate holding company | **85,233** | 55,958 |
| Interest on promissory notes (note 38) | **–** | 40,375 |
| Finance charges on lease liabilities | **1,191** | 1,753 |
| Imputed interest on deferred consideration | **2,340** | 1,504 |
| | **630,382** | 534,104 |

## 10. INCOME TAX EXPENSE/(CREDIT)

*Hong Kong*

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2020 and 2019.

*The PRC*

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 both years.

*Japan*

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate for these taxes is 29% for the years ended 31 December 2020 and 2019.

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Current tax** | | |
| Hong Kong | | |
| – Charge for the year | **2,850** | 6,654 |
| – Over provision in prior years | **(269)** | (345) |
| The PRC | | |
| – Charge for the year | **1** | 38 |
| – (Over)/Under provision in prior years | **(3)** | 2,173 |
| Japan | | |
| – Charge for the year | **1,268** | 39 |
| | **3,847** | 8,559 |
| **Deferred tax** | | |
| – Charge/(Credit) for the year (note 36) | **553,805** | (34,615) |
| Income tax expense/(credit) | **557,652** | (26,056) |

## 10. INCOME TAX EXPENSE/(CREDIT) (Continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before income tax at applicable tax rates:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Profit/(Loss) before income tax | **1,449,970** | (430,745) |
| Income tax calculated at the rates applicable in the tax jurisdictions concerned | **407,187** | (59,735) |
| – Tax effect of non-taxable income | **(74,198)** | (198,356) |
| – Tax effect of non-deductible expenses | **86,889** | 110,740 |
| – Tax effect of tax losses not recognised | **143,257** | 116,809 |
| – Utilisation of tax losses previously not recognised | **(2,555)** | (1,453) |
| – Tax arising from fair value changes of investment properties | **(819)** | (1,173) |
| – (Over)/Under provision in prior years | **(272)** | 1,828 |
| – Tax effect of share of result of an associate | **–** | 306 |
| – Others | **(1,837)** | 4,978 |
| Income tax expense/(credit) | **557,652** | (26,056) |

## 11. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is arrived at after charging:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Depreciation | | |
| – Owned assets | **25,517** | 12,669 |
| – Right-of-use assets | **33,158** | 28,191 |
| – Prepaid lease payments | **112** | 122 |
| Amortisation of other intangible asset | **2,788** | – |
| Direct operating expenses (including repair and maintenance): | | |
| – Arising from leased investment properties | **137** | 1,720 |
| – Arising from vacant investment properties | **1,065** | 994 |
| Short-term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16 on 1 January 2019 | **1,888** | 2,558 |
| Auditor's remuneration | **3,681** | 4,419 |
| Employee benefits expense (including directors' emoluments) | | |
| – Wages and salaries | **109,379** | 84,669 |
| – Discretionary bonuses | **13,110** | 10,037 |
| – Pension scheme contributions | **3,978** | 3,417 |
| Cost of inventories recognised as expenses | **643,159** | 622,341 |
| Compensation for legal case (note 32) | **13,840** | – |

## 12A. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments for the year, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance are as follows:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Fees | **432** | 426 |
| Other emoluments: | | |
| – Salaries, allowances and benefits in kind | **12,120** | 10,230 |
| – Discretionary bonuses | **36** | 36 |
| – Pension scheme contributions | **54** | 54 |
| | **12,120** | 10,320 |
| | **12,642** | 10,746 |

### (a) Executive directors

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | | |
| **Executive directors:** | | | | | |
| Dr. Lin | **–** | **6,120** | **–** | **18** | **6,138** |
| Madam Su | **–** | **2,400** | **–** | **18** | **2,418** |
| Mr. Lin Xiaodong | **–** | **3,600** | **–** | **18** | **3,618** |
| | **–** | **12,120** | **–** | **54** | **12,174** |
| Year ended 31 December 2019 | | | | | |
| **Executive directors:** | | | | | |
| Dr. Lin | – | 4,230 | – | 18 | 4,248 |
| Madam Su | – | 2,400 | – | 18 | 2,418 |
| Mr. Lin Xiaodong | – | 3,600 | – | 18 | 3,618 |
| | – | 10,230 | – | 54 | 10,284 |

## 12A. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

### (b) Independent non-executive directors

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Pension scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | | |
| **Independent non-executive directors:** | | | | | |
| Mr. Yu Leung Fai | **144** | **–** | **12** | **–** | **156** |
| Mr. Fang Jixin | **144** | **–** | **12** | **–** | **156** |
| Dr. Li Jue | **144** | **–** | **12** | **–** | **156** |
| | **432** | **–** | **36** | **–** | **468** |
| Year ended 31 December 2019 | | | | | |
| **Independent non-executive directors:** | | | | | |
| Mr. Yu Leung Fai | 142 | – | 12 | – | 154 |
| Mr. Fang Jixin | 142 | – | 12 | – | 154 |
| Dr. Li Jue | 142 | – | 12 | – | 154 |
| | 426 | – | 36 | – | 462 |

Included in the financial assets at FVTPL is a school debenture amounted to HK$5,560,000 (2019: HK$6,000,000) for the use by Dr. Lin's dependant.

The executive directors' emoluments shown above for both years were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above for both years were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emolument during both years.

There was no emolument paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

## 12A. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Madam Su is also the chief executive of the Company and her emoluments disclosed above included those services rendered by her as the chief executive during both years.

Discretionary bonuses were determined with reference to the Group's operating results and individual performance.

## 12B. TRANSACTIONS, ARRANGEMENTS OR CONTRACTS IN WHICH DIRECTORS OF THE COMPANY HAVE MATERIAL INTERESTS

Details of the material connected transactions and related party transactions are set out in the "Report of the Directors" and note 46 to the consolidated financial statements.

Save for the above, no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in 2020 was a director of the Company or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year or at the end of 2020.

## 13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2019: two) directors, details of whose emoluments are set out in note 12A above.

Details of the emoluments for the current year of the remaining three (2019: three) highest paid employees who are not directors of the Company are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries, allowances and benefits in kind | **8,317** | 7,380 |
| Discretionary bonuses | **9,500** | 6,000 |
| Pension scheme contributions | **230** | 245 |
| | **18,047** | 13,625 |

## 13. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of the highest paid employees who are not the directors of the Company whose emolument fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | **2020** | 2019 |
| HK$3,000,001 to HK$3,500,000 | **–** | 1 |
| HK$3,500,001 to HK$4,000,000 | **–** | 1 |
| HK$4,500,001 to HK$5,000,000 | **1** | – |
| HK$6,000,001 to HK$6,500,000 | **1** | 1 |
| HK$6,500,001 to HK$7,000,000 | **1** | – |
| | **3** | 3 |

## 14. DIVIDEND

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

## 15. EARNINGS/(LOSS) PER SHARE

The calculations of the basic and diluted earnings/(loss) per share are based on:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Earnings/(Loss)** | | |
| Earnings/(Loss) for the purposes of basic and diluted earnings/(loss) per share calculation (profit/(loss) attributable to owners of the Company) | **885,185** | (415,529) |

| | **Number of shares** | |
|---|---|---|
| | **2020** | 2019 |
| **Number of shares** | | |
| Weighted average number of ordinary shares in issue for the purpose of basic earnings/(loss) per share calculation | **1,438,209,880** | 1,438,209,880 |
| Effect of dilutive potential ordinary shares: | | |
| – Share options | **683,171** | – |
| Weighted average number of ordinary shares in issue for the purpose of diluted earnings/(loss) per share calculation | **1,438,893,051** | 1,438,209,880 |

Diluted loss per share for the year ended 31 December 2019 is the same as basic loss per share. The calculation does not assume the exercise of share options granted under the Company's share option scheme as it would have an anti-dilutive effect.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets | Leasehold land and buildings | Plant and machinery | Furniture and fixtures | Office equipment | Leasehold improvements | Motor vehicles | Yacht | Total |
|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| As at 31 December 2018 and 1 January 2019 | | | | | | | | | |
| Cost | – | – | 6,607 | 3,960 | 6,211 | 7,675 | 17,213 | 21,680 | 63,346 |
| Valuation | – | 68,242 | – | – | – | – | – | – | 68,242 |
| Accumulated depreciation and impairment | – | – | (6,270) | (2,868) | (3,041) | (6,509) | (6,959) | (5,420) | (31,067) |
| Net carrying amount as at 31 December 2018 | – | 68,242 | 337 | 1,092 | 3,170 | 1,166 | 10,254 | 16,260 | 100,521 |
| Adjustment from the application of HKFRS 16 | 66,086 | – | – | – | – | – | – | – | 66,086 |
| Net carrying amount as at 1 January 2019, restated | 66,086 | 68,242 | 337 | 1,092 | 3,170 | 1,166 | 10,254 | 16,260 | 166,607 |
| Year ended 31 December 2019 | | | | | | | | | |
| Opening net carrying amount as at 1 January 2019, restated | 66,086 | 68,242 | 337 | 1,092 | 3,170 | 1,166 | 10,254 | 16,260 | 166,607 |
| Additions | 4,233 | – | – | 687 | 676 | 1,085 | 3,578 | – | 10,259 |
| Acquisitions of subsidiaries | 16,915 | – | – | 137 | 236 | 380 | 699 | – | 18,367 |
| Depreciation for the year | (28,191) | (3,423) | (113) | (652) | (1,152) | (967) | (4,194) | (2,168) | (40,860) |
| Transfer from investment property (note 18) | – | 335,000 | – | – | – | – | – | – | 335,000 |
| Gain on revaluation, net | – | 694 | – | – | – | – | – | – | 694 |
| Exchange realignment | (28) | (1,568) | (4) | (10) | 6 | (8) | (22) | – | (1,634) |
| Closing net carrying amount | 59,015 | 398,945 | 220 | 1,254 | 2,936 | 1,656 | 10,315 | 14,092 | 488,433 |
| As at 31 December 2019 and 1 January 2020 | | | | | | | | | |
| Cost | 87,234 | – | 5,961 | 4,226 | 13,436 | 12,213 | 30,464 | 21,680 | 175,214 |
| Valuation | – | 398,945 | – | – | – | – | – | – | 398,945 |
| Accumulated depreciation and impairment | (28,219) | – | (5,741) | (2,972) | (10,500) | (10,557) | (20,149) | (7,588) | (85,726) |
| Net carrying amount | 59,015 | 398,945 | 220 | 1,254 | 2,936 | 1,656 | 10,315 | 14,092 | 488,433 |

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Right-of-use assets | Leasehold land and buildings | Plant and machinery | Furniture and fixtures | Office equipment | Leasehold improvements | Motor vehicles | Yacht | Total |
|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Year ended 31 December 2020 | | | | | | | | | |
| Opening net carrying amount | 59,015 | 398,945 | 220 | 1,254 | 2,936 | 1,656 | 10,315 | 14,092 | 488,433 |
| Additions | 9,872 | – | 18,070 | 493 | 1,142 | 1,391 | 1,865 | – | 32,833 |
| Disposals | – | – | (65) | (71) | (7) | – | – | – | (143) |
| Depreciation for the year | (33,158) | (14,875) | (1,632) | (81) | (854) | (1,537) | (4,370) | (2,168) | (58,675) |
| Lease modification | 2,327 | – | – | – | – | – | – | – | 2,327 |
| Lease termination | (97) | – | – | – | – | – | – | – | (97) |
| Loss on revaluation, net | – | (22,181) | – | – | – | – | – | – | (22,181) |
| Exchange realignment | 272 | 3,790 | 350 | 50 | 66 | 81 | 47 | – | 4,656 |
| Closing net carrying amount | 38,231 | 365,679 | 16,943 | 1,645 | 3,283 | 1,591 | 7,857 | 11,924 | 447,153 |
| As at 31 December 2020 | | | | | | | | | |
| Cost | 97,106 | 27,814 | 24,261 | 4,854 | 18,466 | 13,831 | 30,783 | 21,680 | 238,795 |
| Valuation | – | 379,021 | – | – | – | – | – | – | 379,021 |
| Accumulated depreciation and impairment | (58,875) | (41,156) | (7,318) | (3,209) | (15,183) | (12,240) | (22,926) | (9,756) | (170,663) |
| Closing net carrying amount | 38,231 | 365,679 | 16,943 | 1,645 | 3,283 | 1,591 | 7,857 | 11,924 | 447,153 |

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Right-of-use assets | Over the lease terms |
| Leasehold land and buildings | 3.3% or over the lease terms, whichever is shorter |
| Plant and machinery | 10% |
| Furniture and fixtures | 20% |
| Office equipment | 20% |
| Leasehold improvements | 20% or over the lease terms, whichever is shorter |
| Motor vehicles | 25% |
| Yacht | 10% |

Accounting policy for depreciation of right-of-use assets is set out in note 3.7.

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Roma Appraisals Limited, a firm of independent qualified professional valuers, at an aggregate market value of HK$363,840,000 (2019: HK$397,173,000) based on their fair values. A revaluation deficit of HK$23,369,000 (2019: HK$31,000) resulting from the above valuations has been recognised in profit or loss.

***Fair value measurement***

The fair value measurements of the leasehold land and buildings are categorised in Level 3.

The fair values of the commercial and residential properties were determined using the direct comparison approach by making reference to comparable transactions as available in the relevant market after applying adjusting factors to reflect the conditions and locations of the subject properties.

The fair value of the industrial property was determined using the depreciation replacement cost approach, which considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar properties in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence percent, whether arising from physical, functional or economic causes.

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

***Fair value measurement (Continued)***

Below is a summary of the key inputs used to the valuations of leasehold land and buildings:

| Leasehold land and building held by the Group | Significant unobservable input | Range 2020 | Range 2019 |
|---|---|---|---|
| Commercial property (2020: HK$44,021,000 (2019: HK$42,793,000)) | Adopted price per square meter determined based on comparable transactions (Renminbi ("RMB")) | **43,700 to 48,500** | 44,800 to 50,100 |
| | Adjusting factors for variable conditions and locations | **adjusting factors range from 95% to 97%** | adjusting factors range from 98% to 100% |
| Industrial property (2020: HK$19,819,000 (2019: HK$19,380,000)) | Estimated construction cost for replacement (per square meter) (RMB) | **2,080** | 2,200 |
| | | **adjusting factor of 80%** | adjusting factor of 84% |
| Residential property (2020: HK$300,000,000 (2019: HK$335,000,000)) | Adopted price per square feet determined based on comparable transactions (HK$) | **64,600 to 78,900** | 69,100 to 101,800 |
| | Adjusting factors for variable conditions and locations | **adjusting factors range from 70% to 132%** | adjusting factors range from 99% to 101% |

The fair values of the leasehold land and buildings were based on the highest and best use of leasehold land and buildings in the PRC and Hong Kong, which did not differ from their actual use.

An increase/(decrease) in the adopted price per square meter/square feet would result in the same level of increase/(decrease) in the fair values of the commercial and residential properties. An increase/(decrease) in the estimated construction cost for replacement per square meter would result in the same level of increase/(decrease) in the fair value of the industrial property.

As at 31 December 2020 and 2019, certain leasehold land and buildings of the Group were pledged to secure general banking facilities granted to the Group, details of which are set out in note 33.

There were no transfers amongst different levels of fair value measurements during both years.

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

***Fair value measurement (Continued)***

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been approximately HK$393,922,000 (2019: HK$408,713,000).

As at 31 December 2020, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

| | Net carrying amount as at 31 December | | Depreciation for the year ended 31 December | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Land and buildings carried at cost | **37,920** | 58,601 | **33,054** | 28,122 |
| Office equipment | **311** | 414 | **104** | 69 |
| Total | **38,231** | 59,015 | **33,158** | 28,191 |

The details in relation to these leases are set out in note 35.

## 17. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments represents the land use rights situated in the PRC. The prepaid lease payments fall into the scope of HKFRS 16 as it meets the definition of right-of-use assets.

## 18. INVESTMENT PROPERTIES

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| As at 1 January | **8,863,251** | 9,081,879 |
| Additions | **–** | 39 |
| Acquisition of assets through acquisition of subsidiaries (note 42a) | **–** | 513,000 |
| Transfer to property, plant and equipment (note 16) | **–** | (335,000) |
| Gain/(Loss) on fair value changes recognised in profit or loss, net | **2,463,416** | (202,594) |
| Exchange realignment | **512,509** | (194,073) |
| As at 31 December | **11,839,176** | 8,863,251 |

The Group's investment properties consist of six (2019: six) residential apartments and two (2019: two) car parking spaces in Hong Kong, and three (2019: three) commercial buildings, two (2019: two) industrial properties, 1,327 (2019: 1,327) car parking spaces and one (2019: one) shopping arcade in the PRC. The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., commercial buildings, car parking spaces, industrial properties and residential apartments, based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2020 and 2019 based on valuations performed by Roma Appraisals Limited, a firm of independent qualified professional valuers, at HK$11,839,176,000 (2019: HK$8,863,251,000).

As at 31 December 2020 and 2019, certain investment properties of the Group were pledged to secure general banking facilities granted to the Group, details of which are set out in note 33.

## 18. INVESTMENT PROPERTIES (Continued)

***Fair value measurement***

The fair value measurements of the investment properties are categorised in Level 3. During both years, there were no transfers amongst different levels of fair value measurements.

The fair values of the completed investment properties were determined using the direct comparison approach by making reference to comparable transactions as available in the relevant market after applying adjusting factors to reflect the conditions and locations of the subject properties. The approach rests on the wide acceptance of the market transactions as the best indicator.

As at 31 December 2020, the fair value of Qiankeng Property (as defined below) was determined on the basis that it will be redeveloped and completed in accordance with the Group's latest redevelopment plan. The valuation was determined by the residual method. The residual method involved calculating the GDV and deducting the estimated development costs and developer's profit.

Below is a summary of the valuation techniques and key inputs used to the valuations of investment properties:

| **Investment property held by the Group** | **Valuation technique** | **Significant unobservable input** | **Range** | |
|---|---|---|---|---|
| | | | **2020** | 2019 |
| A residential apartment in Festival City, Shatin, Hong Kong (2020: HK$12,800,000 (2019: HK$13,100,000)) | Direct comparison approach | Adopted price per square feet determined based on comparable transactions (HK$) | **16,900 to 18,200** | 17,600 to 17,700 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 96% to 106%** | adjusting factors range from 95% to 118% |
| A residential apartment in Festival City, Shatin, Hong Kong (2020: HK$13,000,000 (2019: HK$13,600,000)) | Direct comparison approach | Adopted price per square feet determined based on comparable transactions (HK$) | **16,000 to 17,200** | 16,700 to 17,900 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 98% to 106%** | adjusting factors range from 95% to 114% |

## 18. INVESTMENT PROPERTIES (Continued)

### *Fair value measurement (Continued)*

| Investment property held by the Group | Valuation technique | Significant unobservable input | Range 2020 | Range 2019 |
|---|---|---|---|---|
| A residential apartment in Parc Oasis, Kowloon, Hong Kong (2020: HK$14,400,000 (2019: HK$14,500,000)) | Direct comparison approach | Adopted price per square feet determined based on comparable transactions (HK$) | **21,000 to 22,000** | 20,400 to 22,600 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 102% to 106%** | adjusting factors range from 96% to 101% |
| A residential apartment in The Riverpark, Shatin, Hong Kong (2020: HK$17,100,000 (2019: HK$16,200,000)) | Direct comparison approach | Adopted price per square feet determined based on comparable transactions (HK$) | **18,000 to 18,500** | 17,200 to 17,700 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 97% to 105%** | adjusting factors range from 95% to 101% |
| A residential apartment in Bel-Air, Island South, Hong Kong (2020: HK$31,000,000 (2019: HK$36,000,000)) | Direct comparison approach | Adopted price per square feet determined based on comparable transactions (HK$) | **24,000 to 27,700** | 24,000 to 32,200 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 92% to 99%** | adjusting factors range from 93% to 103% |
| A residential apartment in Bel-Air, Island South, Hong Kong (2020: HK$460,000,000 (2019: HK$497,000,000)) (note a) | Direct comparison approach | Adopted price per square feet determined based on comparable transactions (HK$) | **67,600 to 81,800** | 71,300 to 105,100 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 74% to 135%** | adjusting factors range from 97% to 105% |
| A car parking space in Festival City, Shatin, Hong Kong (2020: HK$2,300,000 (2019: HK$2,400,000)) | Direct comparison approach | Adopted price per bay determined based on comparable transactions (HK$ thousand) | **2,180 to 2,465** | 2,100 to 2,600 |
| | | Adjusting factors for variable conditions and locations | **adjusting factor of 100%** | adjusting factor of 100% |

## 18. INVESTMENT PROPERTIES (Continued)

### *Fair value measurement (Continued)*

| Investment property held by the Group | Valuation technique | Significant unobservable input | Range 2020 | Range 2019 |
|---|---|---|---|---|
| A car parking space in Parc Oasis, Kowloon, Hong Kong (2020: HK$1,500,000 (2019: HK$2,000,000)) | Direct comparison approach | Adopted price per bay determined based on comparable transactions (HK$ thousand) | **1,330 to 1,720** | 1,700 to 2,200 |
| | | Adjusting factors for variable conditions and locations | **adjusting factor of 100%** | adjusting factor of 100% |
| Commercial building in Shenzhen, Guangdong Province, the PRC (2020: HK$86,025,000 (2019: HK$84,244,000)) | Direct comparison approach | Adopted price per square meter determined based on comparable transactions (RMB) | **66,800 to 79,100** | 72,000 to 76,400 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 95% to 105%** | adjusting factors range from 97% to 102% |
| Industrial property in Shenzhen, Guangdong Province, the PRC (2020: HK$189,848,000 (2019: HK$183,237,000)) | Direct comparison approach | Adopted price per square meter determined based on comparable transactions (RMB) | **7,400 to 9,500** | 7,700 to 10,500 |
| | | Adjusting factors for variable conditions and locations | **adjusting factor from 75% to 95%** | adjusting factor of 95% |
| Industrial property in Shenzhen, Guangdong Province, the PRC ("Qiankeng Property") (2020: HK$2,895,187,000 (2019: HK$570,939,000)) (note b) | Residual method | GDV per square meter (RMB) | **28,500 to 117,000** | N/A |
| | | GDV per bay (RMB) | **300,000** | N/A |
| | | Estimated costs to completion (RMB) | **750 million** | N/A |
| | | Developer's profit margin | **15%** | N/A |
| | Direct comparison approach | Adopted price per square meter determined based on comparable transactions (RMB) | **N/A** | 10,800 to 13,700 |
| | | Adjusting factors for variable conditions and locations | **N/A** | adjusting factors range from 95% to 110% |

## 18. INVESTMENT PROPERTIES (Continued)

***Fair value measurement (Continued)***

| Investment property held by the Group | Valuation technique | Significant unobservable input | Range 2020 | Range 2019 |
|---|---|---|---|---|
| Commercial building in Shenzhen, Guangdong Province, the PRC (2020: HK$2,948,000,000 (2019: HK$2,592,131,000)) | Direct comparison approach | Adopted price per square meter determined based on comparable transactions (RMB) | **61,900 to 66,600** | 51,500 to 61,600 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 86% to 95%** | adjusting factors range from 95% to 97% |
| A shopping arcade in Shenzhen, Guangdong Province, the PRC (2020: HK$1,414,000,000 (2019: HK$1,273,720,000)) | Direct comparison approach | Adopted price per square meter determined based on comparable transactions (RMB) | **41,600 to 128,800** | 77,300 to 152,000 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 85% to 92%** | adjusting factors range from 90% to 100% |
| 1,012 car parking spaces in Shenzhen, Guangdong Province, the PRC (2020: HK$360,477,000 (2019: HK$446,919,000)) | Direct comparison approach | Adopted price per bay determined based on comparable transactions (RMB) | **300,000** | 400,000 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 85% to 90%** | adjusting factors range from 90% to 95% |
| Commercial building in Shenzhen, Guangdong Province, the PRC (2020: HK$3,282,500,000 (2019: HK$2,983,186,000)) | Direct comparison approach | Adopted price per square meter determined based on comparable transactions (RMB) | **50,900 to 51,900** | 41,800 to 58,600 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 85% to 93%** | adjusting factors range from 97% to 100% |
| 315 car parking spaces in Shenzhen, Guangdong Province, the PRC (2020: HK$111,039,000 (2019: HK$134,075,000)) | Direct comparison approach | Adopted price per bay determined based on comparable transactions (RMB) | **300,000** | 380,000 |
| | | Adjusting factors for variable conditions and locations | **adjusting factors range from 85% to 90%** | adjusting factors range from 90% to 95% |

## 18. INVESTMENT PROPERTIES (Continued)

### *Fair value measurement (Continued)*

Notes:

(a) The investment property is acquired through acquisition of a subsidiary during the year ended 31 December 2019. Details of which are set out in note 42a.

(b) During the year ended 31 December 2020, the valuation technique for Qiankeng Property was changed from direct comparison approach to residual method as the land use of Qiankeng Property was changed from industrial use to residential use under commodity housing project. The redevelopment plan of Qiankeng Property was principally agreed by the relevant urban renewal bureau in the PRC in August 2020. The Group had become the authorised developer of the redevelopment plan in January 2021.

Relationships of significant unobservable inputs to fair value are as follows:

- An increase/(decrease) in the adopted price per square meter/bay/square feet would result in the same level of increase/(decrease) in the fair values of the completed investment properties;
- The higher the adjusting factor, the higher the fair values of the completed investment properties;
- The higher GDV per square meter/bay, the higher the fair value of Qiankeng Property;
- The higher the estimated costs to completion, the lower the fair value of Qiankeng Property; and
- The higher the developer's profit margin, the lower the fair value of Qiankeng Property.

## 19. GOODWILL

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| As at 1 January | **87,390** | 28,497 |
| Acquisition of a subsidiary (note 41) | **–** | 58,893 |
| As at 31 December | **87,390** | 87,390 |

The carrying amounts of goodwill and other intangible assets allocated to the CGUs as at 31 December 2020 and 2019 are as follows:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Goodwill**<br>**HK$'000** | **Other intangible assets**<br>**HK$'000** | **Total**<br>**HK$'000** | Goodwill<br>HK$'000 | Other intangible assets<br>HK$'000 | Total<br>HK$'000 |
| Financial Services Segment | | | | | | |
| – Type 1 license business | **2,100** | **4,400** | **6,500** | 2,100 | 4,400 | 6,500 |
| – Type 4 and Type 9 licenses business | **–** | **8,969** | **8,969** | – | 8,969 | 8,969 |
| – Type 1, Type 4 and Type 6 licenses business | **58,893** | **30,027** | **88,920** | 58,893 | 32,815 | 91,708 |
| Environmental Protection Segment | **26,397** | **–** | **26,397** | 26,397 | – | 26,397 |
| | **87,390** | **43,396** | **130,786** | 87,390 | 46,184 | 133,574 |

***Impairment testing of goodwill and other intangible assets***

Goodwill and other intangible assets acquired through business combination is allocated to the Financial Services Segment CGUs (i.e. (i) Type 1 license business, (ii) Type 4 and Type 9 licenses business, and (iii) Type 1, Type 4 and Type 6 licenses business) and Environmental Protection Segment CGU for impairment testing. The directors of the Company consider that the assets (including goodwill and other intangible assets allocated) of respective CGUs of Financial Services Segment for Type 1 license business and Type 4 and Type 9 licenses business are insignificant to the Group. Accordingly, the details of the impairment test are not presented below.

The basis of the recoverable amount of the relevant CGUs and major underlying assumptions are summarised below:

## 19. GOODWILL (Continued)

***Financial Services Segment (Type 1, Type 4 and Type 6 licenses business)***

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 13.5% (2019: 14.7%), and the cash flows beyond the five-year period were extrapolated using a growth rate of 3.0% (2019: 3.0%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Based on the result of the above impairment testing, the estimated recoverable amount exceeded the carrying amount of the CGU by approximately 27.4% (2019: 45.2%) as at 31 December 2020. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount of this CGU.

***Environmental Protection Segment***

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 18.3% (2019: 17.6%), and the cash flows beyond the five-year period were extrapolated using a growth rate of 2.6% (2019: 3.0%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Based on the result of the above impairment testing, the estimated recoverable amount exceeded the carrying amount of the CGU by approximately 6.2% (2019: 3.6%) as at 31 December 2020. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount of this CGU.

## 20. OTHER INTANGIBLE ASSETS

| | Trademark | Licenses | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| As at 1 January 2019 | – | 13,369 | 13,369 |
| Acquisition of a subsidiary (note 41) | 25,089 | 7,726 | 32,815 |
| As at 31 December 2019 and 1 January 2020 | **25,089** | **21,095** | **46,184** |
| Amortisation for the year | **(2,788)** | **–** | **(2,788)** |
| As at 31 December 2020 | **22,301** | **21,095** | **43,396** |

The other intangible assets with indefinite useful lives are tested for impairment at least annually or when there is impairment indicator. Details of impairment testing are set out in note 19.

## 21. INVESTMENT IN AN ASSOCIATE

The movements in the Group's investment in an associate during the year are analysed as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| As at 1 January | **–** | 66,122 |
| Share of result | **–** | (1,087) |
| Deemed disposal of an associate and become a subsidiary (note 42b) | **–** | (65,035) |
| As at 31 December | **–** | – |

## 22. EQUITY INSTRUMENT AT FVTOCI

| | **2020** **HK$'000** | 2019 HK$'000 |
|---|---|---|
| Equity investment: | | |
| – Unlisted security in the PRC | **8,899** | – |

On 10 August 2020, the Group entered into an agreement with an independent party to incorporate a private company in the PRC (the "Investee"). The Group held 15% equity interests of the Investee at a cash consideration of RMB7,500,000 (equivalent to approximately HK$8,899,000).

## 23. INVENTORIES

| | **2020** **HK$'000** | 2019 HK$'000 |
|---|---|---|
| Raw materials | **28,315** | 21,736 |
| Finished goods | **8,223** | 45,326 |
| | **36,538** | 67,062 |

## 24. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING/LOAN RECEIVABLES

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Trade receivables, goods and services | **460,428** | 327,425 |
| Less: allowance for credit losses | **(11,019)** | (6,337) |
| | **449,409** | 321,088 |
| Receivables arising from securities broking conducted in the ordinary course of business: | | |
| – Cash clients accounts receivable | **26,871** | 10,287 |
| – Loans to margin clients | **138,458** | 79,203 |
| Less: allowance for credit losses | **(1,956)** | (9) |
| | **163,373** | 89,481 |
| Receivables arising from money lending business: | | |
| – Loan receivables | **177,679** | – |
| Less: allowance for credit losses | **(20,626)** | – |
| | **157,053** | – |
| | **769,835** | 410,569 |

***Trade receivables***

The credit periods are generally one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At the end of the reporting period, 36% (2019: 26%) and 65% (2019: 55%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivables.

## 24. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING/LOAN RECEIVABLES (Continued)

***Receivables arising from securities broking***

With regard to receivables arising from securities broking, the Group seeks to maintain tight control over its outstanding accounts receivable and has procedures and policies to assess its clients' credit quality and define credit limits for each client. All client acceptances and credit limits are approved by designated approvers according to the clients' credit quality.

The normal settlement term of cash clients accounts receivable arising from the ordinary course of business of securities broking is two trading days after the trade date.

Loans to margin clients are secured by the underlying pledged securities, repayable on demand or agreed dates of repayment and bear interest at commercial rates. As at 31 December 2020, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$586,020,000 (2019: HK$244,113,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. As at 31 December 2020, 95% (2019: 99%) of the balance were secured by sufficient collaterals on an individual basis. Management has assessed the market value of the pledged securities of each individual customer that has margin shortfall as at the year end. The collaterals held cannot be repledged by the Group. The corresponding collaterals held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients in the event of default.

***Loan receivables***

Loan receivables are unsecured, repayable on agreed dates of repayment within one year and bear interest at commercial rates.

The following is an ageing analysis of trade receivables, net of allowance for credit losses presented based on the invoice dates/date of rendering of services:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current to 30 days | **196,304** | 116,691 |
| 31 to 60 days | **58,342** | 80,947 |
| 61 to 90 days | **23,079** | 7,264 |
| Over 90 days | **171,684** | 116,186 |
| | **449,409** | 321,088 |

## 24. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING/LOAN RECEIVABLES (Continued)

No ageing analysis of cash clients accounts receivable, loans to margin clients and loans to money lending clients is disclosed as in the opinion of the directors of the Company, the ageing analysis is not meaningful in view of the nature of the cash clients accounts receivable arising from securities broking, the revolving margin loans and the money lending loans.

Details of impairment assessment of trade receivables, receivables arising from securities broking and loan receivables for the years ended 31 December 2020 and 2019 are set out in note 49b.

## 25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Prepayments for purchase of inventories | **90,312** | 117,217 |
| Deposit paid for acquisition of property, plant and equipment | **4,484** | 4,483 |
| Refundable rental deposits | **12,879** | 11,924 |
| Other prepayments, deposits and receivables | **104,413** | 19,537 |
| Other receivables from a local government authority (note a) | **132,776** | 144,021 |
| Purchased or originated credit-impaired loan receivables (note b) | **95,884** | 86,161 |
| | **440,748** | 383,343 |
| Classified as: | | |
| – Current assets | **425,961** | 368,781 |
| – Non-current assets | **14,787** | 14,562 |
| | **440,748** | 383,343 |

## 25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) The amounts represent receivables due from a local government authority in the PRC in respect of sales of properties before the acquisition of subsidiaries in 2018. Management believes that no impairment loss is necessary in respect of this balance as the amount is still considered to be fully recoverable taken into account of the repayment history and the current creditworthiness of the debtor.

(b) The amounts represent three (2019: three) credit-impaired loan receivables purchased from a bank in the PRC at cash consideration of RMB72,827,000. Legal proceeding had been entered into between the bank and the original debtors regarding the recoverability of the credit-impaired loan receivables and it was judged that the pledged properties could be used for auctions to repay the outstanding loans and interests. The loan receivables are carried at contractual interest rate from 8.5% to 9.3% (2019: 8.5% to 9.3%) per annum and the Group has applied the credit-adjusted effective interest rate from 8.5% to 9.3% (2019: 8.5% to 9.3%) to the amortised cost of the financial assets from initial recognition. It only recognises the cumulative changes in lifetime ECL since initial recognition as a loss allowance. During the year ended 31 December 2020, no impairment loss (2019: HK$578,000) is recognised in profit or loss for the lifetime ECL.

## 26. PROPOSED DEVELOPMENT PROJECT

The carrying amount of proposed development project represents the difference between the consideration paid and the net assets acquired in the acquisition of assets through acquisition of 深圳市友盛地產有限公司 (Shenzhen Yousheng Real Estate Co., Ltd. or "Shenzhen Yousheng") in 2019. Further details of the proposed development project are disclosed in note 42b.

The amount would be converted into properties under development upon obtain the land use right.

## 27. FINANCIAL ASSETS AT FVTPL

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Club and school debentures | **10,108** | 10,720 |
| Equity investments, listed in Hong Kong | **5,189** | 3,410 |
| | **15,297** | 14,130 |

The fair values of the Group's financial assets at FVTPL have been measured as described in note 49b.

## 28. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities clients' monies arising from its securities brokerage business. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets and recognised the corresponding liabilities to respective clients on grounds that the Group is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

## 29. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates which range from 0.01% to 0.35% (2019: 0.01% to 1.4%) per annum. Short-term time deposits are made for few days period to meet the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates of 0.17% (2019: 1.4%) per annum. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

## 30. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade payables | **34,819** | 55,360 |
| Payables arising from securities broking conducted in the ordinary course of business: | | |
| – Cash clients accounts payable | **139,642** | 16,853 |
| | **174,461** | 72,213 |

The following is an ageing analysis of trade payables based on invoice dates:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current to 30 days | **14,684** | 34,465 |
| 31 to 60 days | **694** | 6,301 |
| 61 to 90 days | **327** | 945 |
| Over 90 days | **19,114** | 13,649 |
| | **34,819** | 55,360 |

## 30. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING (Continued)

The credit period of trade payables ranges from 60 to 90 days (2019: 60 to 90 days). The normal settlement terms of payables arising from securities broking are two trading days after the trade date.

Included in cash clients accounts payable arising from dealing in securities conducted in the ordinary course of business is cash held on behalf of clients amounted to HK$119,538,000 (2019: HK$6,292,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2020, the cash clients accounts payable included an amount of HK$112,000 (2019: HK$116,000) in respect of certain directors' undrawn monies/ excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non interest-bearing. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

## 31. CONTRACT LIABILITIES

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Current** | | |
| Printing services contract (note a) | **3,950** | 2,400 |
| Receipts in advance from customers (note b) | **31,793** | 2,741 |
| | **35,743** | 5,141 |

Notes:

(a) When the Group receives a deposit before the printing activity commences, this will give rise to contract liabilities at the inception of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 20% deposit on acceptance of provision for certain printing services. At contract inception, performance obligation is expected to be satisfied within one year.

(b) The amount represents receipts in advance from customers of Environmental Protection Segment for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts. At contract inception, performance obligation is expected to be satisfied within one year.

The increase of contract liabilities as at 31 December 2020 is mainly due to the increase in the deposits received as a result of more orders received from customers during the reporting period.

## 32. OTHER PAYABLES AND ACCRUALS

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Deferred consideration for acquisition of a subsidiary (note 41) | **44,693** | 42,353 |
| Accrued expenses | **37,657** | 29,480 |
| Other payables | **15,427** | 8,931 |
| Provision (note) | **42,843** | – |
| Deposits received | **2,690** | 3,391 |
| Other tax payables | **70,082** | 58,799 |
| | **213,392** | 142,954 |
| Classified as: | | |
| – Current liabilities | **168,699** | 100,601 |
| – Non-current liabilities | **44,693** | 42,353 |
| | **213,392** | 142,954 |

Note: The amount represents a provision for a legal claim brought against the Group by third party in relation to the outstanding agency fee and interests accrued thereon for the acquisition of a subsidiary in 2016. The Group is eligible for reimbursement of approximately HK$28,200,000 by third party in this regard. Further details are set out in the announcement of the Company dated 31 December 2020.

## 33. BANK BORROWINGS AND OVERDRAFTS

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Bank borrowings | | |
| – Secured | **6,613,627** | 4,630,617 |
| – Unsecured | **3,494,396** | 3,318,375 |
| Secured bank overdrafts | **–** | 20,000 |
| | **10,108,023** | 7,968,992 |

The contractual maturity dates of the bank borrowings and overdrafts are as follows:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Carrying amount of bank borrowings are repayable (note d): | | |
| – Within one year | **503,874** | 235,204 |
| – More than one year but not more than two years | **542,961** | 242,679 |
| – More than two years but not more than five years | **7,297,142** | 6,990,435 |
| – Over five years | **1,545,554** | 210,955 |
| | **9,889,531** | 7,679,273 |
| Carrying amount of bank borrowings and overdrafts that contain a repayment on demand clause: | | |
| – Within one year | **218,492** | 289,719 |
| | **10,108,023** | 7,968,992 |
| Less: amounts due within one year shown under current liabilities | **(722,366)** | (524,923) |
| Amounts shown under non-current liabilities | **9,385,657** | 7,444,069 |

## 33. BANK BORROWINGS AND OVERDRAFTS (Continued)

Notes:

(a) As at 31 December 2020, the Group's bank borrowings and overdrafts of HK$218,492,000 (2019: HK$289,719,000) bear interest rates from 1.25% to 2.20% (2019: 1.25% to 1.75%) over Hong Kong Interbank Offered Rate ("HIBOR") per annum.

(b) As at 31 December 2020, the Group's bank borrowing of HK$234,482,000 (2019: HK$240,000,000) bears interest rate of 2.85% (2019: 2.85%) below Prime Rate per annum.

(c) As at 31 December 2020, the Group's bank borrowings of HK$9,655,049,000 (2019: HK$7,439,273,000) bear interest rates from 5.62% to 7.60% (2019: 5.62% to 7.6%) per annum.

(d) The amounts due are based on scheduled repayment dates set out in the loan agreements.

(e) The Group's available banking facilities amounted to HK$11,083,840,000 (2019: HK$8,745,791,000), of which HK$10,108,023,000 (2019: HK$7,968,992,000) had been utilised at the end of the reporting period.

(f) Certain bank borrowings and overdrafts of the Group were guaranteed by the Company up to HK$9,860,203,000 (2019: HK$7,720,082,000), the Group companies up to HK$9,271,279,000 (2019: HK$7,090,203,000) and secured by mortgages over the Group's investment properties with a carrying amount at the end of the reporting period of HK$11,839,176,000 (2019: HK$8,024,831,000), mortgages over the Group's leasehold land and buildings with a carrying amount at the end of the reporting period of HK$363,840,000 (2019: HK$354,380,000), secured by securities collateral pledged to the Group by margin clients with market value of HK$9,529,000 (2019: Nil) and shares of two (2019: two) investment properties owing subsidiaries.

(g) Certain bank borrowings and overdrafts of the Group were guaranteed by the directors and controlling shareholders of the Company up to HK$9,880,694,000 (2019: HK$7,670,363,000) and the related parties of the Group up to HK$8,837,000 (2019: HK$8,910,000).

(h) Except for bank borrowings of HK$9,655,049,000 (2019: HK$7,439,273,000) which are denominated in RMB, all other bank borrowings and overdrafts are denominated in HK$.

## 34. AMOUNTS DUE TO RELATED PARTIES

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Amount due to a related party, who has significant influence over a subsidiary of the Company (note a) | **36,646** | 35,671 |
| Amounts due to related parties, who have significant influence over a subsidiary of the Company (note b) | **35,215** | 33,825 |
| | **71,861** | 69,496 |

Notes:

(a) Amount due is unsecured, interest-free and repayable on demand.

(b) Amounts due are unsecured, interest-free (2019: interest-bearing at 5% per annum) and repayable on demand.

## 35. LEASE LIABILITIES

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Total minimum lease payments: | | |
| – Due within one year | **34,413** | 30,689 |
| – Due in the second to the fifth years | **5,170** | 31,408 |
| | **39,583** | 62,097 |
| Future finance charges on lease liabilities | **(553)** | (2,329) |
| Present value of lease liabilities | **39,030** | 59,768 |
| Present value of minimum lease payments: | | |
| – Due within one year | **33,893** | 29,794 |
| – Due in the second to the fifth years | **5,137** | 29,974 |
| | **39,030** | 59,768 |
| Less: portion due within one year included under current liabilities | **(33,893)** | (29,794) |
| Portion due after one year included under non-current liabilities | **5,137** | 29,974 |

## 35. LEASE LIABILITIES (Continued)

Note:

During the year ended 31 December 2020, the total cash outflows for the leases are HK$36,143,000 (2019: HK$31,638,000).

### *Details of the lease activities*

As at 31 December 2020 and 2019, the Group has entered into leases for office equipment and certain office premises and warehouse.

| Type of right-of-use asset | Consolidated financial statements item of right-of-use asset included in | Number of lease | Range of remaining lease term | Number of lease with extension option | Number of lease with option to purchase | Number of lease with termination option |
|---|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | | |
| Land and buildings carried at cost | Property, plant and equipment | **11** | **1 to 3 years** | **6** | **2** | **9** |
| Office equipment | Property, plant and equipment | **1** | **3 years** | **–** | **–** | **–** |
| As at 31 December 2019 | | | | | | |
| Land and buildings carried at cost | Property, plant and equipment | 11 | 1 to 4 years | 5 | 3 | 8 |
| Office equipment | Property, plant and equipment | 1 | 4 years | – | – | – |

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

## 36. DEFERRED TAXATION

The following are the deferred tax liabilities/(assets) recognised and movements thereon during the current and prior years:

| | Depreciation allowance in excess of related depreciation HK$'000 | Revaluation of properties HK$'000 | Tax losses HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| As at 1 January 2019 | 911 | 386,556 | (1,109) | (8,916) | 377,442 |
| Deferred tax (credited)/charged to profit or loss (note 10) | (54) | (43,219) | 180 | 8,478 | (34,615) |
| Charged to other comprehensive income | – | 181 | – | – | 181 |
| Acquisition of a subsidiary (note 41) | – | – | – | 5,415 | 5,415 |
| Exchange realignment | – | (8,712) | – | (2) | (8,714) |
| As at 31 December 2019 and 1 January 2020 | **857** | **334,806** | **(929)** | **4,975** | **339,709** |
| Deferred tax (credited)/charged to profit or loss (note 10) | **(2)** | **558,110** | **459** | **(4,762)** | **553,805** |
| Charged to other comprehensive income | **–** | **297** | **–** | **–** | **297** |
| Exchange realignment | **–** | **20,588** | **–** | **166** | **20,754** |
| As at 31 December 2020 | **855** | **913,801** | **(470)** | **379** | **914,565** |

At the end of the reporting period, the Group has estimated tax losses arising in Hong Kong of HK$354,266,000 (2019: HK$324,334,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in the PRC of HK$1,097,569,000 (2019: HK$504,150,000) that will expire in one to five years for offsetting against future taxable profits. A deferred tax asset has been recognised in respect of tax losses of HK$2,850,000 (2019: HK$5,640,000) as at 31 December 2020. Deferred tax assets have not been recognised in respect of the remaining tax losses as they have arisen in subsidiaries that have been loss-making for some time and in the opinion of the directors of the Company, it is not considered probable that taxable profits will be available against which the tax losses can be utilised due to the unpredictability of future profit streams.

## 36. DEFERRED TAXATION (Continued)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of the temporary difference attributable to the accumulated profits of the Group's subsidiaries in the PRC amounted to HK$29,043,000 (2019: HK$31,568,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that these temporary difference will not reverse in the foreseeable future.

## 37. LOANS FROM ULTIMATE HOLDING COMPANY

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Loans from ultimate holding company | **744,192** | 687,688 |

Loans from ultimate holding company were unsecured, interest-bearing at 8.2% (2019: 8.2%) per annum and will be repayable in June 2022 (2019: June 2021).

## 38. PROMISSORY NOTES

| | HK$'000 |
|---|---|
| As at 1 January 2019 | 1,492,460 |
| Effective interest charged (note 9) | 40,375 |
| Repayment | (2,006,365) |
| Loss on early redemption charged to profit or loss | 439,781 |
| Exchange realignment | 33,749 |
| As at 31 December 2019, 1 January 2020 and 31 December 2020 | **–** |

## 38. PROMISSORY NOTES (Continued)

On 19 April 2018, the Group issued two tranches of promissory notes with principal amounts of RMB1,517,321,000 (equivalent to approximately HK$1,897,801,000) and RMB140,543,000 (equivalent to approximately HK$175,784,000) respectively as part of the consideration for the acquisition of assets through acquisition of subsidiaries. The promissory notes are unsecured, interest-bearing at 3.86% per annum and repayable on 18 April 2023. The effective interest rate of the promissory notes is 13.05% per annum, which is valued by B.I. Appraisals Limited and it resulted in a fair value at the inception date of HK$1,496,949,000.

Pursuant to the agreements, the Group has the right to redeem the promissory notes at the sum of (a) the principal amount outstanding on the promissory notes; and (b) the outstanding interests up to the date of early redemption.

The promissory notes were early redeemed by the Group on 20 March 2019.

## 39. SHARE CAPITAL

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Authorised:** | | |
| 20,000,000,000 ordinary shares of HK$0.10 each | **2,000,000** | 2,000,000 |
| **Issued and fully paid:** | | |
| 1,438,209,880 ordinary shares of HK$0.10 each | **143,821** | 143,821 |

A summary of movements in the Company's share capital is as follows:

| | **Number of ordinary shares in issue** | **Share capital** |
|---|---|---|
| | | HK$'000 |
| As at 1 January 2019 | 1,435,709,880 | 143,571 |
| Issue of shares (note) | 2,500,000 | 250 |
| As at 31 December 2019, 1 January 2020 and 31 December 2020 | **1,438,209,880** | **143,821** |

Note: On 10 June 2019, the Company issued 2,500,000 shares at HK$4.60 per share, for a consideration of HK$11,498,000. The issuance of shares was pursuant to the terms and conditions under the acquisition agreement for the acquisition of 60% equity interests in Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection") and its subsidiaries in 2017. The new shares rank pari passu with existing shares in all respects.

## 40. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and full time employees of the Group. The Scheme became effective on 10 August 2012 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme on 10 August 2012. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a vesting period of two years and ends on a date which is not later than 10 years from the date of the grant of the option but subject to the provisions for early termination of the Scheme. Unless otherwise determined by the directors of the Company at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options is determinable by the directors of the Company, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

## 40. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

| | Weighted average exercise price per share HK$ | Number of options '000 |
|---|---|---|
| As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 | **4.11** | **7,800** |

No share options were exercised during the year ended 31 December 2020 (2019: Nil).

At the end of the reporting period and the date of approval of these consolidated financial statements, the Company had 7,800,000 (2019: 7,800,000) share options outstanding under the Scheme, which represented approximately 0.5% (2019: 0.5%) of the Company's shares in issue as at that date.

## 41. BUSINESS COMBINATIONS

On 30 April 2019, the Group completed an acquisition of 60% equity interests in Optima Capital Limited ("Optima Capital") from Ms. Leung Mei Han, a spouse of a director of a subsidiary of the Company and two independent third parties, for total consideration of HK$96,000,000. The acquisition has been accounted for using the purchase method.

Optima Capital is a licensed corporation under the Securities and Futures Ordinance to carry out corporate finance advisory services in Hong Kong. The acquisition was made as part of the Group strategy to expand its financial services business in Hong Kong.

***Consideration transferred***

| | HK$'000 |
|---|---|
| Cash | 48,000 |
| Deferred consideration (note) | 40,849 |
| | 88,849 |

Note: Based on the acquisition agreement dated 27 December 2018, part of the consideration amounting to HK$48,000,000 (the "deferred consideration") will be paid on the third anniversary of the completion date of the acquisition. The fair value of the deferred consideration approximates HK$40,849,000 at the acquisition date.

## 41. BUSINESS COMBINATIONS (Continued)

The fair values of the identifiable assets and liabilities of Optima Capital at the acquisition date were as follows:

| | HK$'000 |
|---|---|
| Property, plant and equipment | 18,240 |
| Other intangible assets (note 20) | 32,815 |
| Trade receivables | 7,540 |
| Prepayments, deposits and other receivables | 1,845 |
| Bank balances and cash | 13,616 |
| Other payables and accruals | (581) |
| Contract liabilities | (92) |
| Lease liabilities | (16,946) |
| Tax payable | (1,095) |
| Deferred tax liabilities (note 36) | (5,415) |
| Total identifiable net assets at fair value | 49,927 |

***Goodwill arising on acquisition***

| | HK$'000 |
|---|---|
| Consideration transferred | 88,849 |
| Add: non-controlling interests | 19,971 |
| Less: fair value of identifiable net assets acquired | (49,927) |
| | 58,893 |

## 41. BUSINESS COMBINATIONS (Continued)

***Net cash outflow on acquisition***

| | HK$'000 |
|---|---|
| Bank balances and cash acquired | 13,616 |
| Cash consideration paid | (48,000) |
| | (34,384) |

The non-controlling interests arising from the acquisition of non-wholly owned subsidiary are measured by reference to the proportionate share of the fair value of the acquiree's identifiable net assets at the acquisition date and amounted to HK$49,927,000.

Goodwill arose in the acquisition of Optima Capital because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amount in relation to the assembled workforce of Optima Capital. Such benefit is not recognised separately from goodwill because it does not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, Optima Capital contributed HK$25,241,000 to the Group's revenue and generated a profit of HK$739,000 which was included in the Group's results for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year ended 31 December 2019, the revenue and the loss of the Group would have been HK$841,759,000 and HK$406,193,000, respectively.

## 42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

### (a) Bright Success Inc.

On 27 March 2019, the Group acquired 100% equity interests in Bright Success Inc. and its subsidiary ("Bright Success Group"), from an independent third party at a cash consideration of HK$513,114,000. Bright Success Group is engaged in property investment business.

The above transaction was accounted for as acquisition of assets rather than as business combinations because Bright Success Group did not carry out any significant business transactions prior to the date of acquisition.

Further details are set out in the announcement of the Company dated 15 February 2019.

The assets acquired at the completion date were as follows:

| | HK$'000 |
|---|---|
| Investment property (note 18) | 513,000 |
| Deposits and prepayments | 114 |
| Shareholder's loan | (470,220) |
| | 42,894 |
| Settlement of shareholder's loan | 470,220 |
| Net assets acquired | 513,114 |

***Net cash outflow on acquisition***

| | HK$'000 |
|---|---|
| Cash consideration paid (note) | 461,814 |

Note: Part of the consideration of HK$513,114,000 for the acquisition was satisfied by a prepayment of HK$51,300,000 made in 2018.

## 42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

### (b) Shenzhen Yousheng

Shenzhen Yousheng was an associate of the Group as at 31 December 2018 of which the Group held 49% equity interests. On 22 May 2019, the Group acquired addition 2% equity interests in Shenzhen Yousheng at a cash consideration of RMB40,000,000 (equivalent to approximately HK$45,475,000). Shenzhen Yousheng became a 51% subsidiary of the Group. Shenzhen Yousheng is engaged in property development.

Shenzhen Yousheng did not carry out any significant business transactions prior to the date of acquisition and only had proposed development project. Therefore, the Group considered this would be an acquisition of assets in substance and the difference between the consideration paid and the net assets acquired would be recognised as adjustments to the carrying amount of proposed development project.

The non-controlling interests recognised at the acquisition date are measured by reference to the fair value.

The assets acquired at the completion date were as follows:

| | HK$'000 |
|---|---|
| Property, plant and equipment | 127 |
| Proposed development project | 1,610,783 |
| Deposits and other receivables | 171 |
| Bank balances and cash | 5,631 |
| Other payables and accruals | (22,363) |
| | 1,594,349 |
| Less: non-controlling interests | (774,437) |
| Net assets acquired | 819,912 |

## 42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

### (b) Shenzhen Yousheng (Continued)

| | HK$'000 |
|---|---|
| Total consideration satisfied by: | |
| – Fair value of previously held interests in an associate at the acquisition date | 774,437 |
| – Cash | 45,475 |
| | 819,912 |

*Net cash outflow on acquisition*

| | HK$'000 |
|---|---|
| Bank balances and cash acquired | 5,631 |
| Cash consideration paid | (45,475) |
| | (39,844) |

*Re-measurement on investment in an associate*

| | HK$'000 |
|---|---|
| Fair value of previously held interests in an associate at the acquisition date | 774,437 |
| Less: investment in an associate (note 21) | (65,035) |
| Gain on re-measurement of previously held interests in an associate | 709,402 |

## 43. PLEDGE OF ASSETS

Details of the Group's bank borrowings and overdrafts which are secured by the assets of the Group, are included in note 33.

## 44. LEASE COMMITMENTS

### (a) As lessor

The Group leases certain investment properties (note 18) under operating lease arrangements, with leases negotiated for terms ranging from one to ten years (2019: one to three years). The terms of the leases generally also require the tenants to pay security deposits.

The Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **7,569** | 2,525 |
| After one year but within two years | **1,443** | 746 |
| After two years but within three years | **911** | – |
| After three years but within four years | **694** | – |
| After four years but within five years | **685** | – |
| After five years | **2,609** | – |
| | **13,911** | 3,271 |

### (b) As lessee

As at 31 December 2020 and 2019, the Group had lease commitments for short-term leases as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **2,646** | 1,659 |
| In the second to fifth years | **–** | 5 |
| | **2,646** | 1,664 |

As at 31 December 2020 and 2019, the Group leases certain office premises and office equipment with a lease period of 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

## 45. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| – Capital injection in a joint venture engaged in securities brokerage business | **415,293** | 391,054 |
| – Leasehold improvements | **1,471** | 2,474 |
| | **416,764** | 393,528 |

## 46. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

### (a) Related party transactions

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Interest expense on promissory notes to the directors and controlling shareholders | **–** | 40,375 |
| Interest expense on loans from ultimate holding company | **85,233** | 55,958 |
| Management fee paid to a related company controlled by a director of the Company in the PRC | **839** | 205 |
| Rental expense paid to the directors and controlling shareholders | **–** | 110 |
| Securities service fee received from the directors and controlling shareholders | **40** | 6 |

## 46. RELATED PARTY TRANSACTIONS (Continued)

### (b) Other transactions with related parties

During the year ended 31 December 2020, the Group received loans from and repaid to ultimate holding company of HK$3,434,748,000 (2019: HK$2,100,206,000) and HK$3,393,068,000 (2019: HK$2,220,964,000), respectively.

### (c) Compensation of key management personnel of the Group

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term employee benefits | **12,588** | 10,692 |
| Post-employment benefits | **54** | 54 |
| | **12,642** | 10,746 |

Further details of directors' emoluments are included in note 12A.

## 47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

| | Promissory notes HK$'000 | Bank borrowings and overdrafts HK$'000 | Loans from ultimate holding company HK$'000 | Amounts due to related parties HK$'000 | Interest payable HK$'000 | Lease liabilities HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| As at 1 January 2019 | 1,492,460 | 5,360,999 | 821,460 | 78,524 | – | 66,086 | 7,819,529 |
| Financing cash flows | (2,006,365) | 2,705,298 | (120,758) | (31,200) | (490,472) | (29,080) | 27,423 |
| Non-cash transactions: | | | | | | | |
| – Acquisition of subsidiaries | – | – | – | 22,363 | – | 16,946 | 39,309 |
| – Finance costs | 40,375 | – | – | – | 490,472 | 1,753 | 532,600 |
| – Loss on early redemption | 439,781 | – | – | – | – | – | 439,781 |
| – Entering into new leases | – | – | – | – | – | 4,191 | 4,191 |
| – Exchange loss/(gain) recognised in profit or loss | 33,749 | – | (13,014) | – | – | – | 20,735 |
| – Exchange gain recognised in other comprehensive income | – | (97,305) | – | (191) | – | (128) | (97,624) |
| As at 31 December 2019 and 1 January 2020 | – | **7,968,992** | **687,688** | **69,496** | – | **59,768** | **8,785,944** |
| Financing cash flows | – | **1,431,790** | **41,680** | **(1,549)** | **(626,851)** | **(34,255)** | **810,815** |
| Non-cash transactions: | | | | | | | |
| – Finance costs | – | – | – | – | **626,851** | **1,191** | **628,042** |
| – Lease modification | – | – | – | – | – | **2,327** | **2,327** |
| – Lease termination | – | – | – | – | – | **(97)** | **(97)** |
| – Entering into new leases | – | – | – | – | – | **9,872** | **9,872** |
| – Exchange loss recognised in profit or loss | – | **493,916** | **14,824** | – | – | – | **508,740** |
| – Exchange loss recognised in other comprehensive income | – | **213,325** | – | **3,914** | – | **224** | **217,463** |
| As at 31 December 2020 | – | **10,108,023** | **744,192** | **71,861** | – | **39,030** | **10,963,106** |

## 48. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is the total of interest-bearing bank borrowings and overdrafts and loans from ultimate holding company divided by equity attributable to owners of the Company. The Group's policy is to maintain the gearing ratio at an appropriate level. The gearing ratios at the end of the reporting periods are as follows:

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| Bank borrowings and overdrafts | **10,108,023** | 7,968,992 |
| Loans from ultimate holding company | **744,192** | 687,688 |
| | **10,852,215** | 8,656,680 |
| Equity attributable to owners of the Company | **3,505,463** | 2,345,095 |
| Gearing ratio | **310%** | 369% |

## 49. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at amortised cost | **2,485,061** | 1,250,672 |
| Financial assets at FVTPL | **15,297** | 14,130 |
| Financial asset at FVTOCI (non-recycling) | **8,899** | – |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | **11,238,034** | 8,939,608 |

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

The Group's financial instruments include trade receivables, other receivables, receivables arising from securities broking, loan receivables, cash held on behalf of clients, bank balances and cash, financial assets at FVTPL/FVTOCI, trade payables, other payables, payables arising from securities broking, bank borrowings and overdrafts, amounts due to related parties, lease liabilities and loans from ultimate holding company. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk*

(i) Currency risk

The Group is subject to foreign exchange rate risk arising from assets and liabilities which are denominated in currency other than the functional currencies of the relevant group entity. The Group's foreign currency transactions and balances are principally denominated in United States dollars ("US$"), Japanese Yen ("JPY"), RMB and HK$. The Group is exposed to the foreign exchange rate risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group currently does not have a currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant currency exposure should the need arises.

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Market risk (Continued)*

(i) Currency risk (Continued)

The Group's foreign currency denominated monetary assets and liabilities include trade receivables, other receivables, bank balances and cash, trade payables, other payables and loans from ultimate holding company at the end of respective reporting period and the carrying amounts are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Assets** | | |
| RMB against HK$ | **1,085,132** | 671,119 |
| US$ against HK$ | **199,116** | 137,422 |
| JPY against HK$ | **35,741** | 17,456 |
| HK$ against RMB | **–** | 11,765 |
| Others | **193** | 976 |
| **Liabilities** | | |
| RMB against HK$ | **154,371** | 7,538,691 |
| US$ against HK$ | **–** | 27,221 |
| JPY against HK$ | **15,671** | 13,291 |
| HK$ against RMB | **–** | 4,432 |
| Others | **–** | 15 |

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

***Market risk (Continued)***

(i) Currency risk (Continued)

*Sensitivity analysis*

The Group's foreign currency risk is concentrated on the fluctuation of HK$, RMB and JPY against foreign currency. The exposure of US$ against HK$ is considered insignificant as HK$ is pegged to US$, therefore is excluded from the sensitivity analysis below.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB and JPY. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase/a decrease in profit/(loss) for the year where HK$ strengthens 5% against RMB and JPY. For a 5% weakening of HK$ against RMB and JPY, there would be an equal and opposite impact on profit/(loss) for the year and the balance below would be negative.

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| RMB | **34,904** | (257,228) |
| JPY | **783** | 162 |

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Market risk (Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and loans from ultimate holding company. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 29) and variable-rate bank borrowings and overdrafts (note 33).

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR and Prime Rate arising from the Group's HK$ denominated bank borrowings and overdrafts. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2020, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's profit/(loss) for the year ended 31 December 2020 would have been HK$1,706,000 (2019: HK$1,947,000) lower/higher.

(iii) Other price risk

The Group is exposed to equity price risk arising from equity investments classified as financial assets at FVTPL (note 27) as at 31 December 2020 and 2019. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair value of the equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

| | Increase/Decrease in profit/(loss) for the year | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| Equity investments, listed in Hong Kong: | | |
| – Financial assets at FVTPL | **433** | 285 |

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment***

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at 31 December 2020 and 2019 is the carrying amounts as disclosed in note 49a. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except for the credit risks associated with receivables arising from securities broking are mitigated because they are secured by listed securities in Hong Kong.

(i) Trade receivables

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Accordingly, the Group's concentration of credit risk is considered minimal. As part of the Group's credit risk management, trade debtors are assessed individually by reference to any historical default or delay in payments, historical settlements record and current past due exposure of the debtor. The Group then applies an internal credit rating for each debtor and the average loss rates for the year ended 31 December 2020 ranged from 0.1% to 4.4% (2019: 0.1% to 4.3%).

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Credit risk and impairment assessment (Continued)*

(ii) Receivables arising from securities broking

In order to manage the credit risk in the receivables from clients arising from securities broking, individual credit evaluation are performed on all clients including cash clients and margin clients. Cash clients accounts receivable are generally settled in two trading days after trade date. Hence, credit risk arising from the cash clients accounts receivable is considered minimal. For margin clients, the Group normally obtains liquid securities as collateral based on the margin requirements. The Group has not granted any committed facility amount to each of the margin clients and the margin loan is granted by the Group depending on the assessment of the quality of the collateral and credit risk of the respective client. The margin requirement is closely monitored on a daily basis by the designated team. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

As part of the Group's credit risk management, management estimates impairment loss on loans to margin clients individually on each debtor by reference to any historical default or delay in payments, historical settlements record and current past due exposure of the debtor. The Group then applies an internal credit rating for each debtor and the average loss rate for not credit-impaired margin clients for the year ended 31 December 2020 is approximately 0.8% (2019: 0.6%).

(iii) Loan receivables

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on balances individually.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. The Group then applies an internal credit rating for each debtor and the average loss rates for the year ended 31 December 2020 is approximately 0.8% to 23.1%.

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment (Continued)***

(iv) Bank balances and cash held on behalf of clients

The Group mainly transacts with banks with high credit ratings. The credit risk for bank balances and cash held on behalf of clients as at 31 December 2020 and 2019 is considered as not material as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies.

The Group assessed 12-month ECL on these balances by reference to probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that the ECL are insignificant as at 31 December 2020 and 2019 and thus no impairment loss was recognised.

(v) Other receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

| | **Past due**<br>HK$'000 | **Not past due/ No fixed repayment**<br>HK$'000 | **Total**<br>HK$'000 |
|---|---|---|---|
| **2020** | **70,493** | **161,016** | **231,509** |
| 2019 | 38,660 | 122,360 | 161,020 |

Management of the Company has taken into account the past due information as above and comparable external credit rating assigned by international credit-rating agencies on debtor of similar type to review the recoverable amount of other receivables at the end of the reporting period to ensure that adequate impairment losses was recognised for irrecoverable debts, if applicable.

The Group assessed the ECL on other receivables from a local government authority in the PRC by reference to the probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that the ECL are insignificant at initial recognition and as at 31 December 2020 and 2019 and thus no impairment loss was recognised.

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Credit risk and impairment assessment (Continued)*

(vi) Purchased or originated credit-impaired loan receivables

The Group has undertaken an internal approval process before executing the decision of acquisition of investments including purchased or originated credit-impaired financial assets. The loss rate of which at initial recognition is approximately 1.8% (2019: 1.8%).

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Trade receivables/ Receivables arising from securities broking/ Loan receivables | Other financial assets/ Other items |
|---|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL (not credit-impaired) | 12-month ECL |
| Watch list | Debtor frequently repays after due dates but usually settle after due date | Lifetime ECL (not credit-impaired) | 12-month ECL |
| Doubtful | There have been significant increase in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL (not credit-impaired) | Lifetime ECL (not credit-impaired) |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL (credit-impaired) | Lifetime ECL (credit-impaired) |
| Write off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Credit risk and impairment assessment (Continued)*

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost, which are subject to ECL assessment:

| | Notes | External credit rating | Internal credit rating | 12-month/ Lifetime ECL | Gross carrying amount HK$'000 | HK$'000 |
|---|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | | |
| Cash held on behalf of clients | 28 | Aaa | N/A | 12-month ECL (not credit-impaired) | **119,538** | **119,538** |
| Bank balances | 29 | Ba1 – Aaa | N/A | 12-month ECL (not credit-impaired) | **1,268,295** | **1,268,295** |
| Trade receivables | 24 | N/A | Low risk | Lifetime ECL (not credit-impaired) | **460,382** | |
| | | | Watch list | Lifetime ECL (not credit-impaired) | **46** | **460,428** |
| Receivables arising from securities broking | 24 | N/A | Low risk | Lifetime ECL (not credit-impaired) | **165,329** | **165,329** |
| Loan receivables | 24 | N/A | Low risk | Lifetime ECL (not credit-impaired) | **88,549** | |
| | | | Watch list | Lifetime ECL (not credit-impaired) | **89,130** | **177,679** |
| Other receivables | 25 | N/A | Low risk | 12-month ECL (not credit-impaired) | **161,016** | |
| | | N/A | Doubtful | Lifetime ECL (not credit-impaired) | **70,493** | **231,509** |
| Purchased or originated credit-impaired loan receivables | 25 | N/A | Loss | Lifetime ECL (credit-impaired) | **97,462** | **97,462** |

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Credit risk and impairment assessment (Continued)*

| | Notes | External credit rating | Internal credit rating | 12-month/ Lifetime ECL | Gross carrying amount | |
|---|---|---|---|---|---|---|
| | | | | | HK$'000 | HK$'000 |
| As at 31 December 2019 | | | | | | |
| Cash held on behalf of clients | 28 | Aaa | N/A | 12-month ECL (not credit-impaired) | 6,292 | 6,292 |
| Bank balances | 29 | Ba1 – Aaa | N/A | 12-month ECL (not credit-impaired) | 585,052 | 585,052 |
| Trade receivables | 24 | N/A | Low risk | Lifetime ECL (not credit-impaired) | 326,418 | |
| | | | Watch list | Lifetime ECL (not credit-impaired) | 1,007 | 327,425 |
| Receivables arising from securities broking | 24 | N/A | Low risk | Lifetime ECL (not credit-impaired) | 89,490 | 89,490 |
| Other receivables | 25 | N/A | Low risk | 12-month ECL (not credit-impaired) | 122,360 | |
| | | N/A | Doubtful | Lifetime ECL (not credit-impaired) | 38,660 | 161,020 |
| Purchased or originated credit-impaired loan receivables | 25 | N/A | Loss | Lifetime ECL (credit-impaired) | 87,739 | 87,739 |

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment (Continued)***

The average loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure of default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by management to assess both the current as well as the forecast direction of conditions at the end of the reporting period. The internal credit rating categories are regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

| | **Lifetime ECL (not credit-impaired)** HK$'000 |
|---|---|
| As at 1 January 2019 | 10,387 |
| Acquisition of subsidiary | 710 |
| Impairment losses reversed, net | (4,760) |
| As at 31 December 2019 and 1 January 2020 | **6,337** |
| Impairment losses recognised, net | **4,682** |
| As at 31 December 2020 | **11,019** |

During the year ended 31 December 2020, net impairment losses on trade receivables of HK$4,682,000 (2019: net reversal of impairment losses of HK$4,760,000) was recognised in profit or loss.

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Credit risk and impairment assessment (Continued)*

The following table shows the movement in lifetime ECL that has been recognised for receivables arising from securities broking.

| | Lifetime ECL (not credit-impaired) HK$'000 | Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|
| As at 1 January 2019 | 2,466 | 183 | 2,649 |
| Impairment losses reversed, net | (2,457) | (183) | (2,640) |
| As at 31 December 2019 and 1 January 2020 | **9** | **–** | **9** |
| Impairment losses recognised, net | **1,947** | **–** | **1,947** |
| As at 31 December 2020 | **1,956** | **–** | **1,956** |

During the year ended 31 December 2020, net impairment losses on receivables arising from securities broking of HK$1,947,000 (2019: net reversal of impairment losses of HK$2,640,000) was recognised in profit or loss.

The following table shows the movement in lifetime ECL that has been recognised for loan receivables.

| | Lifetime ECL (not credit-impaired) HK$'000 |
|---|---|
| As at 1 January 2020 | **–** |
| Impairment losses recognised | **20,626** |
| As at 31 December 2020 | **20,626** |

During the year ended 31 December 2020, impairment losses on loan receivables of HK$20,626,000 (2019: Nil) was recognised in profit or loss.

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment (Continued)***

The following table shows the movement in lifetime ECL that has been recognised for purchased or originated credit-impaired loan receivables.

| | **Lifetime ECL (credit-impaired)** HK$'000 |
|---|---|
| As at 1 January 2019 | 1,000 |
| Impairment losses recognised | 578 |
| As at 31 December 2019, 1 January 2020 and 31 December 2020 | **1,578** |

***Liquidity risk***

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management monitors the utilisation of bank borrowings and overdrafts and ensures compliance with loan covenants. Details of the Group's bank borrowings and overdrafts are set out in note 33.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

| | On demand or within 1 year HK$'000 | 1 to 5 years HK$'000 | Over 5 years HK$'000 | Total HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | |
| Trade payables | **34,819** | **–** | **–** | **34,819** | **34,819** |
| Payables arising from securities broking | **139,642** | **–** | **–** | **139,642** | **139,642** |
| Other payables | **55,774** | **48,000** | **–** | **103,774** | **100,467** |
| Bank borrowings | **1,294,527** | **8,950,108** | **1,928,968** | **12,173,603** | **10,108,023** |
| Amounts due to related parties | **71,861** | **–** | **–** | **71,861** | **71,861** |
| Lease liabilities | **34,413** | **5,170** | **–** | **39,583** | **39,030** |
| Loans from ultimate holding company | **–** | **799,570** | **–** | **799,570** | **744,192** |
| | **1,631,036** | **9,802,848** | **1,928,968** | **13,362,852** | **11,238,034** |
| As at 31 December 2019 | | | | | |
| Trade payables | 55,360 | – | – | 55,360 | 55,360 |
| Payables arising from securities broking | 16,853 | – | – | 16,853 | 16,853 |
| Other payables | 39,098 | 48,000 | – | 87,098 | 81,451 |
| Bank borrowings and overdrafts | 939,066 | 8,261,412 | 280,764 | 9,481,242 | 7,968,992 |
| Amounts due to related parties | 71,187 | – | – | 71,187 | 69,496 |
| Lease liabilities | 30,689 | 31,408 | – | 62,097 | 59,768 |
| Loans from ultimate holding company | – | 744,079 | – | 744,079 | 687,688 |
| | 1,152,253 | 9,084,899 | 280,764 | 10,517,916 | 8,939,608 |

## 49. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

***Liquidity risk (Continued)***

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings and overdrafts with a repayment on demand clause are included in "On demand or within 1 year" time band in the above maturity analysis.

As at 31 December 2020, the aggregate undiscounted principal and interest of these bank borrowings payable within one year in accordance with the scheduled payment terms were HK$223,380,000 (2019: HK$300,562,000).

As at 31 December 2020, taking into account of the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Included in the above balances, the directors of the Company believe that such bank borrowings and overdrafts will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

***Fair values of the Group's financial assets and liabilities that are measured at fair value on a recurring basis***

Certain financial assets and liabilities of the Group are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined.

| Financial asset | Fair value as at 31 December | | Fair value hierarchy | Valuation technique and key input |
|---|---|---|---|---|
| | **2020 HK$'000** | 2019 HK$'000 | | |
| Club and school debentures | **10,108** | 10,720 | Level 2 | Estimated transaction prices |
| Equity investments, listed in Hong Kong | **5,189** | 3,410 | Level 1 | Quoted bid prices in an active market |

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

During the year ended 31 December 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (2019: Nil).

## 50. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The disclosures set out in the table below include financial assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or

- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and are settled simultaneously. In addition, the Group has a legally enforceable right to set off all clients accounts receivable and payable at any time without prior notice to clients and the Group intends to settle these balances on a net basis.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set off of the recognised amounts is only enforceable following an event of default.

## 50. OFFSETTING FINANCIAL ASSETS AND LIABILITIES (Continued)

| | Gross amounts of recognised financial assets/ liabilities | Gross amounts of recognised financial liabilities/ assets set off in the consolidated statement of financial position | Net amounts of financial assets/ liabilities presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Collateral received* | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **As at 31 December 2020** | | | | | | |
| **Assets** | | | | | | |
| Receivables arising from securities broking | **195,547** | **(32,174)** | **163,373** | **(18,643)** | **(140,470)** | **4,260** |
| **Liabilities** | | | | | | |
| Payables arising from securities broking | **171,816** | **(32,174)** | **139,642** | **(6,717)** | **–** | **132,925** |
| As at 31 December 2019 | | | | | | |
| **Assets** | | | | | | |
| Receivables arising from securities broking | 89,614 | (133) | 89,481 | (10,045) | (79,228) | 208 |
| **Liabilities** | | | | | | |
| Payables arising from securities broking | 16,986 | (133) | 16,853 | (5,638) | – | 11,215 |

* The item "collateral received" represents the securities pledged in the clients' account which are not recognised in the consolidated statement of financial position. The amounts are capped at the lower of the market value of securities and the net receivable amounts on a client by client basis.

## 51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | **10,128** | 20,072 |
| Investments in subsidiaries | **5,000,792** | 5,000,792 |
| Prepayments, deposits and other receivables | **4,914** | 4,903 |
| | **5,015,834** | 5,025,767 |
| **CURRENT ASSETS** | | |
| Prepayments, deposits and other receivables | **606** | 606 |
| Amounts due from subsidiaries | **4,706,343** | 5,234,144 |
| Cash and cash equivalents | **566,299** | 23,396 |
| | **5,273,248** | 5,258,146 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | **4,487** | 5,738 |
| Amounts due to subsidiaries | **7,861,701** | 7,459,880 |
| Lease liabilities | **10,225** | 9,985 |
| | **7,876,413** | 7,475,603 |
| **NET CURRENT LIABILITIES** | **(2,603,165)** | (2,217,457) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **2,412,669** | 2,808,310 |
| **EQUITY** | | |
| Share capital | **143,821** | 143,821 |
| Reserves (note) | **1,524,656** | 1,966,576 |
| | **1,668,477** | 2,110,397 |
| **NON-CURRENT LIABILITIES** | | |
| Loans from ultimate holding company | **744,192** | 687,688 |
| Lease liabilities | **–** | 10,225 |
| | **744,192** | 697,913 |
| | **2,412,669** | 2,808,310 |

## 51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of the Company's reserves are as follows:

| | Share premium HK$'000 | Shares to be issued HK$'000 | Share options reserve HK$'000 | Capital reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| As at 1 January 2019 | 1,907,379 | 11,498 | 15,054 | 586,594 | (69,257) | 2,451,268 |
| Loss and total comprehensive expense for the year | – | – | – | – | (484,442) | (484,442) |
| Issue of shares | 11,248 | (11,498) | – | – | – | (250) |
| As at 31 December 2019 and 1 January 2020 | **1,918,627** | **–** | **15,054** | **586,594** | **(553,699)** | **1,966,576** |
| Loss and total comprehensive expense for the year | **–** | **–** | **–** | **–** | **(441,920)** | **(441,920)** |
| As at 31 December 2020 | **1,918,627** | **–** | **15,054** | **586,594** | **(995,619)** | **1,524,656** |

## 52. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

| Name of subsidiary | Place of incorporation/ establishment registration and business | Issued ordinary share/ registered capital | Effective equity interest attributable to the Group (%) | | Place of operation | Principal activity |
|---|---|---|---|---|---|---|
| | | | **2020** | 2019 | | |
| Realord Asset Management Limited | Hong Kong | HK$10,000 ordinary shares | **100** | 100 | Hong Kong | Investment holding |
| Citibest Global Limited | BVI | US$50,000 ordinary shares | **100** | 100 | Hong Kong | Investment holding |
| Realord Ventures Limited | BVI | US$1,000 ordinary shares | **100** | 100 | Hong Kong | Investment holding |
| Manureen Ventures Limited | BVI | US$1,000 ordinary shares | **100** | 100 | Hong Kong | Investment holding |
| Realord Investment Limited | BVI | US$1,000 ordinary shares | **100** | 100 | Hong Kong | Investment holding |
| Bright Success Inc. (note 42a) | BVI | US$1 ordinary share | **100** | 100 | Hong Kong | Investment holding |
| Capital Conference Services Limited | Hong Kong | HK$10,000 ordinary shares | **100** | 100 | Hong Kong | Provision of conference services |
| Capital Financial Press Limited | Hong Kong | HK$800,000 ordinary shares | **100** | 100 | Hong Kong | Commercial printing |
| Concept Star Corporation Limited | Hong Kong | HK$2 ordinary shares | **100** | 100 | Hong Kong | Property investment |
| Easy Bloom Investment Limited | Hong Kong | HK$1 ordinary share | **100** | 100 | Hong Kong | Property investment and investment holding |
| Qualiti Printing and Sourcing Limited | Hong Kong | HK$3,750,000 ordinary shares | **100** | 100 | Hong Kong | Trading of hangtags, labels and shirt paper boards |
| Realord Asia Pacific Securities Limited | Hong Kong | HK$153,000,000 ordinary shares | **89.3** | 90.1 | Hong Kong | Provision of securities broking services and margin financing |

## 52. PARTICULARS OF SUBSIDIARIES (Continued)

| Name of subsidiary | Place of incorporation/ establishment registration and business | Issued ordinary share/ registered capital | Effective equity interest attributable to the Group (%) | | Place of operation | Principal activity |
|---|---|---|---|---|---|---|
| | | | 2020 | 2019 | | |
| Realord Vehicle Parts Limited | Hong Kong | HK$10,000 ordinary shares | 100 | 100 | Hong Kong | Distribution and sale of motor vehicle parts |
| Excellent Well (H.K.) Limited | Hong Kong | HK$1 ordinary share | 100 | 100 | Hong Kong | Property investment |
| Realord Environmental Protection | Hong Kong | HK$21,046,110 ordinary shares | 61.3 | 60.3 | Hong Kong | Investment holding and trading of scrap materials |
| Realord Asia Pacific Asset Management Limited (Formerly known as Strabens Hall (Hong Kong) Limited) | Hong Kong | HK$45,000,000 ordinary shares | 100 | 100 | Hong Kong | Provision of securities advisory and asset management services |
| Absolute Holdings Limited | Hong Kong | HK$1 ordinary share | 100 | 100 | Hong Kong | Property investment |
| Optima Capital (note 41) | Hong Kong | HK$10,000,000 ordinary shares | 60 | 60 | Hong Kong | Provision of securities broking, securities advisory and financial advisory services |
| Realord Finance Limited | Hong Kong | HK$10,000 ordinary shares | 100 | 100 | Hong Kong | Money lending |
| 偉祿商業(深圳)有限公司 | The PRC | Paid-up capital of HK$36,000,000 | 100 | 100 | The PRC | Trading of electronic products and computer components/property investment |
| 深圳市偉祿商業控股有限公司 | The PRC | Paid-up capital of RMB32,000,000 | 100 | 100 | The PRC | Property investment |
| 前海美林融資租賃(深圳)有限公司 | The PRC | Paid-up capital of US$6,506,880 | 100 | 100 | The PRC | Provision of financial leasing services |

## 52. PARTICULARS OF SUBSIDIARIES (Continued)

| Name of subsidiary | Place of incorporation/ establishment registration and business | Issued ordinary share/ registered capital | Effective equity interest attributable to the Group (%) | | Place of operation | Principal activity |
|---|---|---|---|---|---|---|
| | | | 2020 | 2019 | | |
| 前海偉祿跨境電子商務(深圳)有限公司 | The PRC | Paid-up capital of HK$115,000,000 | **100** | 100 | The PRC | Development and sale of e-commerce platform/ trading of products |
| 冠彰電器(深圳)有限公司 | The PRC | Paid-up capital of HK$30,000,000 | **100** | 100 | The PRC | Property investment |
| 廣西梧州市通寶再生物資有限公司 | The PRC | Paid-up capital of HK$3,570,000 | **61.3** | 60.3 | The PRC | Dismantling and trading of scrap materials |
| 廣東偉祿汽車零件有限公司 | The PRC | Paid-up capital of RMB40,000,000 | **100** | 100 | The PRC | Distribution and sale of motor vehicle parts |
| 深圳市偉祿科技控股有限公司 | The PRC | Paid-up capital of RMB50,000,000 | **100** | 100 | The PRC | Property investment |
| 深圳市夏浦光電技術有限公司 | The PRC | Paid-up capital of RMB50,000,000 | **100** | 100 | The PRC | Property investment |
| Shenzhen Yousheng (note 42b) | The PRC | Paid-up capital of RMB20,000,000 | **51** | 51 | The PRC | Property development |
| Realord Environmental Protection Japan Co, Ltd. | Japan | JPY90,000,000 ordinary shares | **55.1** | 54.3 | Japan | Processing and trading of scrap materials |

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

## 52. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes three (2019: three) subsidiaries/group of subsidiaries with material non-controlling interests ("NCI"), the details and the summarised financial information, before intragroup eliminations, are as follows:

**Realord Environmental Protection and its subsidiaries**

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Proportion of ownership interests and voting rights held by NCI | **38.7%** | 39.7% |
| Current assets | **567,476** | 591,192 |
| Non-current assets | **53,458** | 28,978 |
| Current liabilities | **394,673** | 443,415 |
| Non-current liabilities | **4,381** | 3,831 |
| Net assets | **221,880** | 172,924 |
| Carrying amount to NCI | **87,211** | 69,323 |
| Revenue | **544,070** | 525,003 |
| Expenses | **(529,073)** | (494,684) |
| Profit for the year | **14,997** | 30,319 |
| Other comprehensive income for the year | **650** | 1,536 |
| Total comprehensive income for the year | **15,647** | 31,855 |
| Profit attributable to NCI | **6,178** | 12,011 |
| Total comprehensive income attributable to NCI | **6,382** | 12,694 |
| Dividend paid to NCI | **–** | – |
| Net cash flows (used in)/from operating activities | **(23,095)** | 32,628 |
| Net cash flows from/(used in) investing activities | **33,631** | (9,274) |
| Net cash flows (used in)/from financing activities | **(9,932)** | 4,603 |
| Net increase in cash and cash equivalents | **604** | 27,957 |

## 52. PARTICULARS OF SUBSIDIARIES (Continued)

**Optima Capital**

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Proportion of ownership interests and voting rights held by NCI | **40%** | 40% |
| Current assets | **27,904** | 25,196 |
| Non-current assets | **39,653** | 46,799 |
| Current liabilities | **6,963** | 8,694 |
| Non-current liabilities | **6,165** | 12,634 |
| Net assets | **54,429** | 50,667 |
| Carrying amount to NCI | **21,772** | 20,267 |

| | 2020 HK$'000 | From 30 April 2019 (date of acquisition) to 31 December 2019 HK$'000 |
|---|---|---|
| Revenue | **39,696** | 25,241 |
| Expenses | **(35,934)** | (24,502) |
| Profit and total comprehensive income for the year | **3,762** | 739 |
| Profit and total comprehensive income attributable to NCI | **1,505** | 296 |
| Dividend paid to NCI | **–** | – |
| Net cash flows from/(used in) operating activities | **3,567** | (109) |
| Net cash flows used in investing activities | **(400)** | (22) |
| Net cash flows from financing activities | **–** | 87 |
| Net increase/(decrease) in cash and cash equivalents | **3,167** | (44) |

## 52. PARTICULARS OF SUBSIDIARIES (Continued)

**Shenzhen Yousheng**

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Proportion of ownership interests and voting rights held by NCI | **49%** | 49% |
| Current assets | **1,627,683** | 1,623,680 |
| Non-current assets | **209** | 122 |
| Current liabilities | **43,043** | 33,837 |
| Net assets | **1,584,849** | 1,589,965 |
| Carrying amount to NCI | **769,782** | 772,289 |

| | 2020<br>HK$'000 | From 22 May 2019 (date of acquisition) to 31 December 2019<br>HK$'000 |
|---|---|---|
| Revenue | **–** | – |
| Expenses | **(5,307)** | (3,888) |
| Loss for the year | **(5,307)** | (3,888) |
| Other comprehensive expense for the year | **191** | (496) |
| Total comprehensive expense for the year | **(5,116)** | (4,384) |
| Loss attributable to NCI | **(2,600)** | (1,905) |
| Total comprehensive expense attributable to NCI | **(2,507)** | (2,148) |
| Dividend paid to NCI | **–** | – |
| Net cash flows (used in)/from operating activities | **(10,477)** | 5,379 |
| Net (decrease)/increase in cash and cash equivalents | **(10,477)** | 5,379 |

## 53. EVENT AFTER REPORTING PERIOD

On 15 May 2020, Realord Asia Pacific Securities Limited, a subsidiary of the Company, intended to make, on behalf of the Company, a voluntary conditional cash offer (the "Offer") to acquire all the issued shares of The Sincere Company, Limited, a listed company in Hong Kong (stock code: 0244). At the date of these consolidated financial statements, the making of the Offer is still subject to the satisfaction or waiver (as the case may be) of certain pre-conditions.

# FIVE YEAR FINANCIAL HIGHLIGHTS

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements are summarized below.

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| **Results** | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Revenue** | **869,341** | 828,898 | 811,039 | 762,959 | 209,784 |
| **Profit/(Loss) before income tax** | **1,449,970** | (430,745) | 555,949 | 166,281 | 208,175 |
| Income tax (expenses)/credit | **(557,652)** | 26,056 | (172,238) | (55,060) | (128,078) |
| **Profit/(loss) for the year** | **892,318** | (404,689) | 383,711 | 111,221 | 80,097 |
| **Profit/(loss) attributable to:** | | | | | |
| Owners of the Company | **885,185** | (415,529) | 363,282 | 93,254 | 80,097 |
| Non-Controlling interests | **7,133** | 10,840 | 20,429 | 17,967 | – |
| | **892,318** | (404,689) | 383,711 | 111,221 | 80,097 |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| **Assets and Liabilities** | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Non-current assets | **12,445,778** | 9,504,662 | 9,409,334 | 1,513,429 | 1,248,567 |
| Current assets | **4,273,668** | 3,078,285 | 2,012,335 | 662,063 | 359,279 |
| Total assets | **16,719,446** | 12,582,947 | 11,421,669 | 2,175,492 | 1,607,846 |
| Current liabilities | **1,213,628** | 819,864 | 933,835 | 461,501 | 299,181 |
| Non-current liabilities | **11,094,244** | 8,543,793 | 7,555,408 | 609,993 | 410,568 |
| Total liabilities | **12,307,872** | 9,363,657 | 8,489,243 | 1,071,494 | 709,749 |
| Net assets | **4,411,574** | 3,219,290 | 2,932,426 | 1,103,998 | 898,097 |
| Equity attributable to owners of the Company | **3,505,463** | 2,345,095 | 2,878,448 | 1,070,392 | 898,097 |
| Non-controlling interests | **906,111** | 874,195 | 53,978 | 33,606 | – |
| | **4,411,574** | 3,219,290 | 2,932,426 | 1,103,998 | 898,097 |

# MAJOR PROPERTIES HELD AS AT 31 DECEMBER 2020

Particulars of the major properties held by the Group at the end of the reporting period are as follows:

| Location | Purpose | Tenure | Attributable interest of the Group |
|---|---|---|---|
| **Hong Kong** | | | |
| House No.25, Villa Bel-Air, Bel-Air on the Peak, Island South, No.25 Bel-Air Peak Rise, Hong Kong | Residential | Medium term lease | 100% |
| House No.8, Villa Bel-Air, Bel-Air on the Peak, Island South, No. 8 Bel-Air Peak Rise, Hong Kong | Residential | Medium term lease | 100% |
| **Mainland China** | | | |
| The industrial complex at No. 5 Fuye Road, Zhangkengjing Community, Guanhu Jie Dao, Longhua District, Shenzhen, the PRC | Industrial | Medium term lease | 100% |
| The Properties located in Qiankeng Industrial Zone, Qiankeng Community, Fucheng Jie Dao, Longhua District, Shenzhen, the PRC | Under redevelopment | Medium term lease | 100% |

# MAJOR PROPERTIES HELD AS AT 31 DECEMBER 2020

| Location | Purpose | Tenure | Attributable interest of the Group |
|---|---|---|---|
| A block of commercial/ apartment building, all retail shops and car parking spaces of Realord Villas, Lanqing Er Lu, Luhu Community, Huanguan South Road, Guanhu Jie Dao, Longhua District, Shenzhen, the PRC | Mix of residential and commercial | Long term lease | 100% |
| Realord Technology Park, Dongzhou Community, Guangming Jie Dao, Guangming District, Shenzhen, the PRC | Commercial | Medium term lease | 100% |