



# **LEE HING DEVELOPMENT LIMITED**

**Stock Code: 68**

**ANNUAL REPORT 2020**

## Contents

	<i>Pages</i>
Corporate Information	2-3
Letter to Shareholders	4-6
Management Discussion and Analysis	7-10
Directors' Report	11-16
Corporate Governance Report	17-25
Environmental, Social and Governance Report	26-32
Independent Auditor's Report	33-39
Consolidated Statement of Profit or Loss	40
Consolidated Statement of Profit or Loss and Other Comprehensive Income	41
Consolidated Statement of Financial Position	42
Consolidated Statement of Changes in Equity	43
Consolidated Statement of Cash Flows	44
Notes to the Consolidated Financial Statements	45-89
Five Year Financial Summary	90

## **Corporate Information**

### **Board of Directors**

#### *Executive Directors*

Mr. Tan Boon Seng (*Chairman and Managing Director*)

Mr. Chan Kai Kwok

#### *Independent Non-executive Directors*

Mr. Ho Hau Chong, Norman

Mr. Fung Ka Pun

Mr. Lim Lay Leng

### **Audit Committee**

Mr. Ho Hau Chong, Norman (*Chairman*)

Mr. Fung Ka Pun

Mr. Lim Lay Leng

### **Remuneration Committee**

Mr. Ho Hau Chong, Norman (*Chairman*)

Mr. Fung Ka Pun

Mr. Lim Lay Leng

### **Nomination Committee**

Mr. Tan Boon Seng (*Chairman*)

Mr. Ho Hau Chong, Norman

Mr. Fung Ka Pun

Mr. Lim Lay Leng

### **Registered Office**

Suite 1506-07, 15th Floor

Nine Queen's Road Central

Hong Kong

### **Share Registrars and Transfer Office**

Tricor Standard Limited

Level 22 Hopewell Centre

183 Queen's Road East

Hong Kong

### **Company Secretary**

Mr. Chan Kai Kwok

### **Auditor**

CHENG & CHENG LIMITED

### **Principal Bankers**

CIMB Bank Berhad

Chong Hing Bank Limited

Bank of East Asia

### **Website**

[www.lhd.com.hk](http://www.lhd.com.hk)

## Corporate Information (Cont'd)

### Biographical Details of Directors and Senior Management

#### Board of Directors

**Mr. Tan Boon Seng**, MA (Cantab)

*Chairman and Managing Director, aged 65*

Mr. Tan joined the Board of the Company on 19 January 1987 and has been the Managing Director of the Company since August 1989 and is the Chairman of the Nomination Committee of the Company. He holds a Master of Arts from Cambridge University. He was also an Executive Director of IGB Corporation Berhad, a company listed on the Stock Exchange of Kuala Lumpur and was delisted on 16 March 2018. Mr. Tan resigned in that position with effect from 1 January 2019. Mr. Tan was appointed as Alternate Director of IGB Berhad on 12 October 2020, a company listed on the Stock Exchange of Kuala Lumpur and he resigned in that position with effect from 7 December 2020. Mr. Tan was also a Non-independent Non-executive Director of PureCircle Limited, a company previously listed on the London Stock Exchange, for the period from 11 November 2019 to 31 December 2019.

**Mr. Ho Hau Chong, Norman**, B.A., A.C.A., F.C.P.A.

*Independent Non-executive Director, aged 65*

Mr. Ho joined the Board of the Company on 31 August 1988 and is the Chairman of the Audit Committee and Remuneration Committee; and a member of the Nomination Committee of the Company. Mr. Ho is also an Executive Director of Miramar Hotel & Investment Company Limited and Vision Values Holdings Limited, an Independent Non-executive Director of Hong Kong Ferry (Holdings) Company Limited and Shun Tak Holdings Limited which are listed on The Stock Exchange of Hong Kong Limited. He is a member of the Institute of Chartered Accountants in England and Wales, and a fellow of the Hong Kong Institute of Certified Public Accountants.

**Mr. Fung Ka Pun** (alias K. B. FUNG)

*Independent Non-executive Director, aged 75*

Mr. Fung joined the Board of the Company on 3 July 2003 and is a member of the Audit Committee; Remuneration Committee and Nomination Committee of the Company. He is an Independent Non-executive Director of GZI Transport Limited, which is listed on Main Board of The Stock Exchange of Hong Kong Limited. Mr. Fung is a member of the Association of International Accountants and the Institute of Chartered Secretaries and Administrators.

**Mr. Lim Lay Leng**

*Independent Non-executive Director, aged 70*

Mr. Lim joined the Board of the Company on 13 April 2011 and is a member of the Audit Committee; Remuneration Committee and Nomination Committee of the Company. He holds a Bachelor of Civil Engineering (Honours) from Queen Mary College at the University of London. He is a director of several private property and investment holding companies in Hong Kong, China and Malaysia and has extensive experience in property development and investment.

**Mr. Chan Kai Kwok**, F.C.C.A., C.P.A.

*Executive Director, aged 56*

Mr. Chan joined the Company as Group Financial Controller and Company Secretary in 2001 and has been an Executive Director of the Company since 2003. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

## Letter to Shareholders

*“Darkest Hour” – even worst year*

*Film 2017*

In 2020, we had the worst year to date. At the end of 2020, the net asset value of Lee Hing share was estimated to be HK\$2.20 which was down by 58.10% from the 2019 close of HK\$5.25. By comparison, the Hang Seng Index was down by 3.40%.

The total comprehensive loss attributable to owners of the company was mainly due to the decrease in the fair value of PureCircle Limited (“PureCircle”). PureCircle was privatised by Ingredion Incorporated (“Ingredion”), a publicly listed company on the ‘NYSE’ with a market capitalisation of around US\$6 billion. We are not able to accurately determine the market value of PureCircle because it is now a private company and, the 31st December 2020 accounts have not been audited because it is less than 6 months after the privatisation by Ingredion. Ingredion has treated the results as within the ‘Bridge’ year under the accounting rules and they intend to change the year end of PureCircle from June to December as per their own accounts. As a result, the first set of audited accounts will only be available for the period ending 31 December 2021.

The Stock Exchange has suspended our shares because of the amended Rule 13.24 (which came into effect on 1 October 2019):

- (a) Under Rule 13.24(2), investment in securities are excluded from the assessment of the level of operations and assets under Rule 13.24. Therefore all of our PureCircle and IGB Berhad (“IGB”) shares are excluded from the assessment of operations and assets under Rule 13.24(1).
- (b) The value of PureCircle and IGB represent 36% and 36.2% of our total assets.

## Letter to Shareholders (Cont'd)

### Sources of loss

The following table shows the main sources of our operating loss:

	2020 (HK\$ Million)	2019 (HK\$ Million)
Operating loss:		
Unrealised loss on financial assets at fair value through profit or loss – listed investments	(48.9)	(455.0)
Unrealised loss on financial assets at fair value through profit or loss – unlisted investments	(53.6)	–
Unrealised (loss)/gain on derivative financial instruments	(0.1)	6.6
Net exchange gain/(loss)	1.8	(2.5)
Net gain on financial assets at fair value through profit or loss – unlisted investments	9.1	–
Net (loss)/gain on financial assets at fair value through profit or loss – listed investments	(319.3)	10.4
Dividend income from listed investments	4.0	7.8
Dividend income from unlisted investments	0.3	–
Impairment loss of freehold land	(3.8)	–
Gain/(loss) on revaluation of Investment Property	5.0	(1.0)
Loss on derivative financial instruments	(11.2)	–
Employees Subsidy Scheme	0.5	–
Gain on disposal of fixed assets	0.2	–
Impairment (loss)/gain on amount due from an investee company – Write back	(1.0)	0.3
Interest income	0.1	0.2
Rental income	1.0	0.8
Sundry income	–	0.6
Impairment loss of construction in progress	–	(6.9)
	<u>(415.9)</u>	<u>(438.7)</u>
Corporate expenses – finance costs	(8.5)	(20.3)
– operating expenses	<u>(20.3)</u>	<u>(22.6)</u>
Operating loss	<u><u>(444.7)</u></u>	<u><u>(481.6)</u></u>

### Listed shares

Below we present our holdings in listed shares with a market value of more than HK\$50 million at 31 December 2020:

	Market Value (HK\$ Million)
Malaysia IGB Berhand	<u><u>177.8</u></u>

For more details of these companies, please refer to its website at [www.igbbhd.com](http://www.igbbhd.com) respectively.

## **Letter to Shareholders (Cont'd)**

### **Looking forward**

It is of note that under the terms of the Privatisation, Ingedion will be obliged to make an offer to buy 6.25% of the privately held PureCircle shares in the Second Quarter of 2022. This will give us an indicative value of our shareholding in PureCircle because as a private company with restriction on the sale of the shares, the value of our shareholdings are not easily valued.

It is also important to note that the value of PureCircle will be highly dependent on when the COVID-19 is brought under control. Most of the launches of new products using stevia have been postponed as a result of the lockdown and restrictions in many countries.

I remain hopeful that people are even more health conscious and will consume less sugar than pre-COVID. In this regard, the future of stevia is still bright.

Further announcements will be made by the Company as and when appropriate and in accordance with the requirement of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

**Tan Boon Seng**  
*Chairman*

Hong Kong, 13 April 2021

## **Management Discussion and Analysis**

### **Results for the year**

The Group recorded HK\$17 million revenue and income for the year ended 31 December 2020, a 16% decrease as compared with last year. The decrease was largely attributable to the net gain on financial assets at fair value through profit or loss – listed investments in 2019 turned into net loss in 2020 and decrease in dividend income.

Operating loss after finance costs was HK\$445 million, a decrease of HK\$37 million as compared with last year. The decrease was mainly attributable to decrease in unrealised loss on financial assets at fair value through profit or loss – listed investments and finance costs.

### **Business review**

The Group is principally engaged in share investment and dealing.

During the year under review, the Group's revenue and income were mainly attributable to dividends from listed investments of HK\$4 million, net gain on financial assets at fair value through profit or loss – unlisted investments of HK\$9.1 million, rental income of HK\$1.1 million and exchange gain of HK\$1.8 million. In 2020, preference shares of IGB Berhad of HK\$156.8 million were converted into ordinary shares of IGB Berhad. Call option of HK\$48.1 million was also converted into ordinary shares of PureCircle Limited. The entire ordinary shares of PureCircle Limited held by the Group have been disposed of in exchange with cash and B ordinary shares of Ingredion SRSS Holdings Limited. Details of which are described in the announcement and circular of the Company dated 15 April 2020 and 23 July 2020 respectively.

It is expected that the operating performance of the Group will continue to be affected by the outbreak of COVID-19 in the near term.

### **Financial resources and liquidity**

The Group's borrowings were secured bank loans. With respect to interest rate structure of the borrowings, interest rates were 1.35% to 1.5% per annum above the bank's cost of fund, 1.25% to 2.7% per annum above HIBOR, 1% per annum below prime rate or 3% to 3.75% per annum above LIBOR.

The gearing ratio of the Group was 51%. The computation is based on total borrowings of the Group divided by total equity as at 31 December 2020.

### **Charges on Group's assets**

The Group's leasehold land, buildings and investment properties, certain financial assets at fair value through profit or loss and bank deposits with a total net book value of approximately HK\$253 million were pledged to banks to secure banking facilities granted to the Group.

### **Contingent liabilities**

As at 31 December 2020, the Group had no contingent liabilities but the Company had contingent liabilities in respect of guarantees for banking facilities granted to its subsidiaries in the sum of HK\$199 million.



## Management Discussion and Analysis (Cont'd)

### Significant investments

The following table sets out information regarding the Group's significant investments classified as financial assets at fair value through profit or loss:

Name of the investee company	Equity interest held as at 31 December 2020	Cost of investment	Fair value as at 31 December 2020	Percentage to total assets
IGB Berhad	35,829,816 ordinary shares, representing approximately 4.06% of the ordinary shares in issue (2019: 1.6%)	HK\$133 million	HK\$177.8 million (RM2.58 per share)	36.2%
Ingredion SRSS Holdings Limited	36,746,277 B ordinary shares, representing approximately 8.21% of the ordinary shares in issue (2019: Nil)	HK\$231 million	HK\$177.1 million	36%

The following table sets out the movement of the financial assets at fair value through profit or loss during the year ended 31 December 2020:

Name of the investee company	Acquisition/disposal/ conversion during the year ended 31 December 2020	Cost of acquisition/ disposal proceeds	Gain/loss on disposal	Dividend received during the year
PureCircle Limited	Conversion of 3,581,394 ordinary shares (Note)	-	-	-
	Disposal of 45,392,610 ordinary shares	Proceeds in the amount of HK\$305.8 million	Loss on disposal in the amount of HK\$302.9 million	-
Ingredion SRSS Holdings Limited	Acquisition of 39,246,277 B ordinary shares	Cost of acquisition of HK\$246.4 million	-	-
	Disposal of 2,500,000 B ordinary shares	Proceeds in the amount of HK\$24.8 million	Gain on disposal of HK\$9.1 million	-

## Management Discussion and Analysis (Cont'd)

### Significant investments (Cont'd)

Name of the investee company	Acquisition/disposal/ conversion during the year ended 31 December 2020	Cost of acquisition/ disposal proceeds	Gain/loss on disposal	Dividend received during the year
IGB Berhad	Disposal of 950,000 ordinary shares	Proceeds in the amount of HK\$4.1 million	Loss on disposal in the amount of HK\$2.4 million	Received dividend in the amount of HK\$1.3 million and HK\$2.7 million on the ordinary shares and the preference shares, respectively
	Acquisition of 269,394 ordinary shares	Cost of acquisition in the amount of HK\$1.3 million	-	-
	Conversion of 25,611,371 ordinary shares from preference shares	-	-	-

Note: 3,581,394 units of call option in the amount of HK\$48.1 million were converted into ordinary shares of PureCircle Limited.

The following table sets out the change in fair value of the financial assets at fair value through profit or loss during the year ended 31 December 2020:

Name of investee company	Fair value as at 31 December 2019	Additions/ conversion	Disposals	Translation reserve	Change in fair value recognised in the profit or loss	Fair value as at 31 December 2020
PureCircle Limited	HK\$560.6 million	HK\$48.1 million	(HK\$608.7 million)	-	-	-
Ingredion SRSS Holdings Limited	-	HK\$246.4 million	(HK\$15.7 million)	-	(HK\$53.6 million)	HK\$177.1 million
IGB Berhad – ordinary shares	HK\$74.7 million	HK\$158.1 million	(HK\$6.5 million)	HK\$0.4 million	(HK\$48.9 million)	HK\$177.8 million
IGB Berhad – preference shares	HK\$170.8 million	(HK\$156.8 million)	(HK\$14 million)	-	-	-

## **Management Discussion and Analysis (Cont'd)**

### **Significant investments (Cont'd)**

Ingredion SRSS Holdings Limited produces and distributes stevia sweeteners and flavors to food and beverages industry worldwide. On 29 January 2021, Ingredion SRSS Holdings Limited changed its name to PureCircle Limited.

IGB Berhad is principally an investment holding company engaged in property investment and management, retail, hotel operations and construction. It also has private equity investments in the field of information and communications technology and water/wastewater treatment.

The Group has no control or influence over PureCircle Limited and IGB Berhad, hence, for the business performance, factors which may affect the share price and business outlook and future prospects of the two companies, shareholders and potential investors should refer to information published on the two websites, [www.purecircle.com](http://www.purecircle.com) and [www.igbbhd.com](http://www.igbbhd.com).

Depending on the market conditions and the availability of funding, the Group may acquire additional shares or dispose of some of its interest in IGB Berhad.

### **Material acquisitions and disposals**

Other than those disclosed in above, the Group did not have any material acquisition or disposal during the year.

### **Foreign currency exposure**

The Group had major investments, amounts receivables, bank balances, accounts payable and bank loans denominated in Malaysian Ringgit, British Pound, Euro, Japanese Yen and Thai Baht, hence the Group had direct exposure to foreign exchange fluctuations. During the year under review, the Group did not use any foreign currency derivative product to hedge its exposure to currency risk. However, the management managed and monitored the exposure to ensure appropriate measures were implemented on a timely and effective manner.

### **Employees**

As at 31 December 2020, the Group's number of staff was 9. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

## **Directors' Report**

The Directors present their annual report together with the audited consolidated financial statements for the financial year ended 31 December 2020.

### **Principal place of business**

The Company is a limited company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Suite 1506-07, 15/F., Nine Queen's Road Central, Hong Kong.

### **Principal activities**

The principal activity of the Company is investment holding and the activities of its subsidiaries and associates are shown in notes 18 and 19 to the consolidated financial statements respectively.

### **Business review**

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in the "Letter to Shareholders" and "Management Discussion and Analysis" set out on pages 4 to 6 and pages 7 to 10 respectively. An analysis of the Group's financial risk management is provided in note 34 to the consolidated financial statements.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group continues to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

The Group complies with the requirements under the Hong Kong Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures Ordinance, for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers.

The Group's success also depends on the support from key stakeholders which comprise employees, shareholders and banks. Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group. The Group also maintains adequate committed lines of funding from major financial institutions to meet its liquidity requirements.

## Directors' Report (Cont'd)

### Consolidated financial statements

The consolidated financial performance of the Group for the financial 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 40 to 89.

### Share capital

Particulars regarding the share capital are set out in note 30 to the consolidated financial statements.

### Reserves

The movements in reserves during the financial year are set out in note 31 to the consolidated financial statements and consolidated statement of changes in equity on page 43.

### Dividends

In 2020, no interim dividend (2019: Nil) was paid. The Directors do not recommend the payment of a final dividend (2019: Nil) for the year ended 31 December 2020.

### Donations

During the year, the Group made donations for charitable and community purposes amounting to HK\$46,000 (2019: HK\$202,000).

### Group's borrowings

Details of bank borrowings are shown in note 27 to the consolidated financial statements.

### Particulars of properties

The investment properties of the Group are as follows:

Location	Saleable area (sq. ft.)	Nature of property	Percentage of interest	Lease expiry
Flat A on 15/F. and Car Parking Spaces No. 4 on P2 level, Po Garden, No. 9 Brewin Path, Hong Kong	1,943	Residential	100	75 years from 17 January 1955 renewable for further 75 years

### Major customers and suppliers

During the year, less than 30% of the Group's revenue and income, and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

### Summary of financial information

A summary of the revenue and income, results, assets and liabilities of the Group for the last five financial years is shown on page 90.

## **Directors' Report (Cont'd)**

### **Directors**

1. The Directors during the financial year and at the date of this report are:  
Mr. Tan Boon Seng (*Managing Director*)  
Mr. Chan Kai Kwok  
Mr. Ho Hau Chong, Norman  
Mr. Fung Ka Pun  
Mr. Lim Lay Leng
2. In accordance with the Company's Articles of Association, the following Directors are due to retire and, being eligible, they offer themselves for re-election:  
Mr. Tan Boon Seng  
Mr. Chan Kai Kwok
3. During the year and up to the date of this report, Mr. Tan Boon Seng and Mr. Chan Kai Kwok are also directors of certain subsidiaries of the Company. Other directors of the Company's subsidiaries include Mr. Tan Yee Seng and Mr. Koreshige Mizutani.

### **Biographical details of Directors and senior management**

Biographical details of Directors and senior management are set out on page 3.

### **Directors' right to acquire shares or debentures**

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **Service contracts of Directors**

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not terminable by the Group within one year without the payment of compensation other than statutory compensation.

### **Directors' interests in transactions, arrangements or contracts**

No transaction, arrangement or contract to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had, whether directly or indirectly, a material interest subsisted at the end of the financial year or at any time during the financial year.

### **Equity-linked agreements**

No equity-linked agreements were entered into by the Group; or existed during the year.

### **Permitted indemnity provision**

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for the Directors and officers of the Group.

## Directors' Report (Cont'd)

### Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2020, the Directors' interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Directors	Number of ordinary shares				Percentage holding
	Personal interests	Family interests	Corporate interests	Total	
Mr. Tan Boon Seng	1,479,000(i)	10,000(iv)	52,340,000(ii)(iii)(v)	53,829,000	36.67
Mr. Chan Kai Kwok	-	-	-	-	-
Mr. Ho Hau Chong, Norman	-	-	-	-	-
Mr. Fung Ka Pun	-	-	-	-	-
Mr. Lim Lay Leng	-	-	-	-	-

Notes:

- (i) Mr. Tan Boon Seng acquired 10,000 shares of the Company on 29 December 2020.
- (ii) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.
- (iii) Zali International Limited held 14,386,000 shares. Mr. Tan Boon Seng has beneficial interest in this Company.
- (iv) The wife of Mr. Tan Boon Seng held 10,000 shares.
- (v) Zali Capital Limited held 35,854,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.

One nominee share in Lee Hing Investment Company, Limited which is a subsidiary of the Company was held by Mr. Tan Boon Seng in trust for the Company.

Save as mentioned above, no Directors held an interest in the share capital of the Company's subsidiaries.

As at 31 December 2020, no right was granted to or exercised by any Director of the Company or his spouse or children under 18 years of age to subscribe for equity or debt securities of the Company or any of its associated corporations.

### Management contracts

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

## Directors' Report (Cont'd)

### Substantial shareholders

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31 December 2020 the Company had been notified of the following interest in the Company's shares:

	Number of ordinary shares	Percentage holding
Mr. Tan Boon Seng	53,829,000 (Note)	36.67
Petaling Garden (S) Pte. Limited	29,006,000	19.76

Note:

The 53,829,000 shares are held as to 1,479,000 shares by Mr. Tan Boon Seng, as to 10,000 shares by the wife of Mr. Tan Boon Seng, as to 2,100,000 shares by Wah Seong Enterprises Sdn. Bhd., as to 14,386,000 shares by Zali International Limited and as to 35,854,000 shares by Zali Capital Limited. Wah Seong Enterprises Sdn. Bhd., Zali International Limited and Zali Capital Limited are beneficially owned by Mr. Tan Boon Seng.

### Purchase, sale or redemption of listed securities

There was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the year.

### Corporate governance

The Company is committed to maintain the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 25.

### Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

### Audit Committee

An Audit Committee has been established and the members of the Committee are Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting system, risk management and internal control systems.

### Emolument policy

The employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications and competence.

The emoluments of the Executive Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market standards.



## **Directors' Report** (Cont'd)

### **Independent Non-executive Directors**

Confirmation of independence has been received from each of the Independent Non-executive Directors of the Company and the Company considers all existing Independent Non-executive Directors to be independent.

### **Connected transactions**

Details of connected transactions disclosed under the Rules Governing for Listing of Securities of The Stock Exchange of Hong Kong Limited are set out in note 36 to the consolidated financial statements.

### **Sufficiency of public float**

According to the information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

### **Auditor**

The consolidated financial statements for the year have been audited by CHENG & CHENG LIMITED who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

**Tan Boon Seng**  
*Chairman*

Hong Kong, 13 April 2021

## **Corporate Governance Report**

### **Corporate governance practices**

The Board of Directors of the Company (the “Board”) continues to achieve high standards of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the Company’s shareholders. The Company has taken effective measures to ensure that it is in compliance with the principles and provisions of the Corporate Governance Code (the “Code”). In the opinion of the Board, except for the deviations as disclosed in this report, the Company has, throughout the year ended 31 December 2020, complied with the Code.

### **Directors’ securities transactions**

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). None of the Directors is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not in compliance with the Model Code and upon specific enquiry of all Directors, the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2020.

### **Board of Directors**

To ensure objectivity and impartiality in the management of the Company, the Board is made up of a balance of Executive Directors and Non-executive Directors such that no individual or small group can dominate the Board’s decision making. The Board comprises a total of five members, with a Chairman, also the Managing Director, one Executive Director and three Independent Non-executive Directors. The Board headed by Mr. Tan Boon Seng is mainly responsible for overseeing the Company’s strategic development and monitoring the Company’s day-to-day management and operation. The Board also delegates specific responsibilities and duties to its respective committees. During the reporting period, Mr. Tan Boon Seng acted as an Executive Director, Chairman and Managing Director of the Company. Although this arrangement constitutes a deviation from the Code Provision A.2.1, the Board considers that this structure, where the leadership of the Board is distinct from the executive responsibilities for running of the business operations, will not impair the balance of power and authority between the Board and the management of the business, especially given that there is a strong and independent non-executive element on the Board and a clear division of responsibility for running the business of the Company. The arrangement under which the roles of an Executive Director, Chairman and Managing Director are performed by the same individual is the extension of the Company’s existing corporate governance model. It has been considered beneficial at the present stage as it helps to maintain the continuity of the Company’s policies and the stability of the Company’s operations, as well as to enhance the management of the Company.

Details of the composition of the Board, relationship among members of the Board, and biographical information of the Directors are set out in the section “Corporate Information” on page 3 of this annual report. The Company has received annual confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

## **Corporate Governance Report (Cont'd)**

### **Board of Directors (Cont'd)**

In accordance with the Company's Articles of Association, one-third of the Directors shall be subject to retirement by rotation at each annual general meeting of the Company. In the opinion of the Directors, this meets the principle set out in Code Provision A.4.2. According to Code Provision A.4.1, Non-executive Directors should be appointed for a specific term and be subject to re-election. During the reporting period, none of the existing Non-executive Directors of the Company was appointed for a specific term. This constitutes a deviation from the Code but in the opinion of the Directors, since one-third of the Directors (Executive and Non-executive) will retire from office by rotation at each annual general meeting, this arrangement meets the same objective and is no less exacting than the Code.

The Directors acknowledge their responsibilities for overseeing the preparation of consolidated financial statements of the Group. The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the section "Independent Auditor's Report" on pages 33 to 39 of this annual report. The Board is mindful of its responsibility to present a balanced and clear assessment of the Group's financial position and prospects. The Board is satisfied that it has met this obligation.

### **Corporate governance functions**

The Board is responsible for performing the corporate governance duties including to develop and review the Company's policies and practices on corporate governance, 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, and to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

### **Board Diversity Policy**

The Board has adopted a Board Diversity Policy to comply with the Code Provision on board diversity. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills and other factors that the Board may consider relevant and applicable from time to time. In identifying suitable candidates, the Nomination Committee will consider candidates on merit and against the objective criteria with due regard for the benefits of diversity of the Board on the core business and strategy of the Company. During the year, there were no additions to the Board.

### **Board meetings**

Regular Board meetings are held at least four times a year with at least 14 days' notice and additional meetings with reasonable notice will be held as and when the Board considers appropriate. The Company Secretary assists the Chairman in preparing agenda for each meeting. Draft agenda for each Board meeting is circulated to all Directors to enable them to include other matters in the agenda. Agenda accompanying board papers are sent to all Directors at least 3 days before each Regular Board meeting. Board decisions are voted upon at Board meetings. The Company Secretary records all matters considered by the Board, decisions reached and any concerns raised or dissenting views expressed by Directors. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

## Corporate Governance Report (Cont'd)

### Directors' training

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company Secretary also provides Directors with updates on latest development and amendments in the Listing Rules and other relevant legal and regulatory requirements from time to time.

Also, Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in house trainings for Directors in the form of attending seminars and reading materials. A summary of training received by Directors for the year ended 31 December 2020 according to the records provided by the Directors is as follows:

Directors	Training on corporate governance, regulatory development and other relevant topics
Chairman and Managing Director Mr. Tan Boon Seng	✓
Executive Director Mr. Chan Kai Kwok	✓
Independent Non-executive Directors Mr. Ho Hau Chong, Norman	✓
Mr. Fung Ka Pun	✓
Mr. Lim Lay Leng	✓

### Audit Committee

The Audit Committee comprises Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng, being all the three Independent Non-executive Directors. Mr. Ho Hau Chong, Norman is the Chairman of the Audit Committee. The Audit Committee has adopted terms of reference, which are in line with the Code. The Audit Committee is responsible for reviewing the completeness, accuracy and fairness of the Group's consolidated financial statements, the Group's financial reporting system, risk management and internal control systems, the scope and nature of the external audit and matters concerning the engagement of external auditor. During the year, the Audit Committee reviewed the audited consolidated financial statements for the year ended 31 December 2019 and the unaudited interim financial statements for the six months ended 30 June 2020 with recommendations to the Board for approval, reviewed internal control system of the Group and discussed with the management and the external auditor the accounting policies and practices which may affect the Group and financial reporting matters. Furthermore, the Audit Committee reviewed the framework and policy of risk management, the system of internal control and the consolidated financial statements for the year ended 31 December 2020 with recommendation to the Board for approval.

## **Corporate Governance Report (Cont'd)**

### **Remuneration Committee**

The Remuneration Committee comprises three Independent Non-executive Directors: Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng. Mr. Ho Hau Chong, Norman is the Chairman of the Remuneration Committee. The Remuneration Committee has adopted terms of reference, which are in line with the Code. The Remuneration Committee is responsible for reviewing the remuneration policy and remuneration packages of the Executive Directors and members of the senior management. During the year, the Remuneration Committee reviewed the remuneration policy for Directors and senior management of the Company and made recommendation to the Board. Directors' remuneration is listed in the section "Notes to the Consolidated Financial Statements" on page 64 of this annual report.

### **Nomination Committee**

The Nomination Committee comprises Mr. Tan Boon Seng, Chairman and Managing Director of the Company and Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng, being all the three Independent Non-executive Directors of the Company. Mr. Tan Boon Seng is the Chairman of the Nomination Committee. The Nomination Committee has adopted terms of reference, which are in line with the Code. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendation on any proposed changes to the Board to complement the Company's corporate strategy. It considers the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assesses the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. During the year under review, a meeting was held by the Nomination Committee.

### **Nomination policy**

The Company has adopted a nomination policy ("Nomination Policy"), pursuant to which the Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders for election as Directors at general meetings or appoint Directors to fill casual vacancies; and to devise criteria for performances evaluation of the Board members.

#### **Selection Criteria**

The Nomination Committee shall consider the following criteria in evaluating and selection candidates for directorship:

1. Character and integrity.
2. Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy.
3. Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments.
4. Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates will be considered independent with reference to the independence guidelines set out in the Listings Rules.
5. Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.
6. Such other perspectives appropriate to the Company's business.

## **Corporate Governance Report (Cont'd)**

### **Nomination policy (Cont'd)**

#### Selection Criteria (Cont'd)

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Retiring Non-executive Directors, save for those who have served as Non-Executive Directors for a period of nine consecutive years, are eligible for nomination by the Board to stand for re-election at a general meeting.

#### Nomination Process

##### Appointment of a New Director/Filling a Casual Vacancy

Nomination by the members of the Board or the Nomination Committee

- (a) Nomination of candidates for directorship can be made by invitation from Board members, if any, for consideration by the Nomination Committee or candidates put forward by the Nomination Committee who are not nominated by Board members.
- (b) The Nomination Committee shall, upon receipt of the proposal on appointment of new director and for filling a casual vacancy, and the biographical information of the candidate, evaluate such candidate based on the criteria as set out above, with due regard for the benefits of diversity of the Board and in compliance with the Listing Rules. The Nomination Committee shall make recommendations to the Board for its consideration and approval, the Board will have final authority on determining the selection of candidates for nomination to the Board.

##### Nomination by a Shareholder

- (a) A shareholder can serve a written notice at the registered office of the Company for the attention of the Company Secretary within the lodgment period of its intention to propose a resolution to elect a certain person as a Director.
- (b) The period for lodgment of the above written notice shall be at least seven (7) days and that the period for lodgment of such notice shall commence no earlier than the day after the dispatch of the notice of general meeting appointed for such election and no later than seven (7) days prior to the date of such general meeting.
- (c) Upon receipt of the above notice from a shareholder which is received after the publication of the notice of general meeting, the Company shall, prior to the general meeting, publish an announcement or issue a supplementary circular disclosing the particulars pursuant to Rule 13.51(2) of the Listing rules of the proposed Director.

##### Re-election of Director at General Meeting

- (a) The Nomination Committee shall review the overall contribution and service to the Company of the retiring director including his attendance of the Board meetings and general meetings; and the level of participation and performance on the Board.
- (b) The Nomination Committee shall also review and determine whether the retiring Director continues to meet the criteria as set out above.

The Nomination Policy may be modified at any time as may be determined by the Board on recommendation by the Nomination Committee to ensure it continues to be relevant to the needs of the Company and to reflect current regulatory requirements and good governance practices.

## Corporate Governance Report (Cont'd)

### Attendance at meeting of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee, and Annual General Meeting

Directors	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Chairman and Managing Director Mr. Tan Boon Seng	6/6	-	-	1/1	1/1
Executive Director Mr. Chan Kai Kwok	6/6	-	-	-	1/1
Independent Non-executive Directors					
Mr. Ho Hau Chong, Norman	6/6	2/2	1/1	1/1	0/1
Mr. Fung Ka Pun	6/6	2/2	1/1	1/1	0/1
Mr. Lim Lay Leng	6/6	2/2	1/1	1/1	0/1

#### Auditors' remuneration

During the year, the Group engaged external auditors to perform audit and non-audit related services and incurred audit related service fees of approximately HK\$465,000 (2019: HK\$459,000) and non-audit service fees of approximately HK\$232,000 (2019: HK\$82,000). Non-audit service represents interim review service and service in relation to circular.

#### Risk management and internal control

The Board has overall responsibilities for maintaining a sound and effective risk management and internal control systems of the Group. The systems include a defined management structure with limits of authority, and are designed for the Group to identify and manage the significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Under Code Provision C.2.5, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board would be directly responsible for risk management and internal control systems of the Group. The Board through the Audit Committee had conducted an annual review on the risk management and internal control systems of the Group. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

The Company formulated the inside information policy. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees apprised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

## **Corporate Governance Report (Cont'd)**

### **Company Secretary**

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out in the section "Corporate Information" on page 3 of this annual report.

### **Constitutional documents**

During the year, there was no significant change in the Company's constitutional documents.

### **Shareholders' rights**

- A. Procedures for shareholders for convening an Extraordinary General Meeting  
Shareholders holding not less than one-twentieth (1/20) of the paid-up capital of the Company can deposit a written request to convene an Extraordinary General Meeting ("EGM") (stating the objects of the meeting and signed by the shareholders concerned) at the registered office of the Company for the attention of the Company Secretary. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.
- B. Procedures for putting forward proposals at a general meeting  
To put forward proposals at shareholders' meeting, a request in writing must be made by shareholders holding not less than one-fortieth (1/40) of the total voting rights of all shareholders having the right to vote at the meeting, or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK\$2,000, to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting. The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.
- C. Procedures for directing shareholders' enquires to the Board  
Enquires to the Board may be put through the Company Secretary by writing at the registered office of the Company. Shareholders may also make enquires with the Board at general meetings of the Company.



## **Corporate Governance Report (Cont'd)**

### **Dividend policy**

The Company has adopted a dividend policy (“Dividend Policy”), pursuant to which the Company aims at providing stable and sustainable returns to the shareholders of the Company. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- (i) operating and financial results;
- (ii) cash flow situation and indebtedness;
- (iii) business conditions and strategies;
- (iv) future operations and earnings;
- (v) taxation consideration;
- (vi) capital requirements and expenditure plans;
- (vii) interests of shareholders;
- (viii) any restrictions and payment of dividends; and
- (ix) any other factors that the Board may consider relevant.

Declaration and payment of the dividend by the Company is subject to the statutory and regulatory restrictions under Hong Kong laws and the Company’s Articles of Association.

Any declaration of or recommendation of declaration of dividend under the Dividend Policy are subject to the Board’s determination that the same would be in the best interests of the Group and the shareholders as a whole. The Company do not have pre-determined dividend distribution ratio. There is no assurance that dividends will be paid in any particular amount for any given period. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary.

## **Corporate Governance Report (Cont'd)**

### **Corporate communication**

The Code requires the Company to have a dialogue with shareholders and it is the responsibility of the Board as a whole to ensure that satisfactory dialogue takes place. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports. The Company's Share Registrars and Transfer Office serves the shareholders with respect to all share registration matters. The Company's annual general meetings provide a further opportunity for investors to exchange views with the Board. Under Code Provision A.6.7, Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Three members of the Independent Non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 13 May 2020.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Director. The circular despatched to shareholders together with the annual report includes details of the procedures and the timetable of proposing appropriate candidates to stand for election as Directors at each annual general meeting, and relevant details of proposed resolutions, including biographies of each candidate standing for re-election and whether such candidates are considered to be independent.

### **Looking forward**

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Corporate Governance Code introduced by The Stock Exchange of Hong Kong Limited.

## Environmental, Social and Governance Report

The Group believes that sound environmental, social and governance (“ESG”) performance is critically important to the sustainable development of its business and community. The Group is committed, not only to achieving strong financial results, but also to promoting environmental protection, social responsibility and effective corporate governance.

The Board is responsible for the Group’s ESG strategy and reporting. The Group has established an ESG working team to engage the management and employees across all functions in order to identify relevant ESG issues and to assess their materiality to the Group’s business as well as the Company’s stakeholders, through reviewing our operations and internal discussions. Disclosures relating to the material ESG issues identified have been included in this ESG Report pursuant to the requirements of Appendix 27 of the Listing Rules (the “ESG Guide”).

The table below shows the ESG issues which were determined to be material to the Group, together with the aspects on the ESG Guide to which they relate, based on the assessment performed by the ESG working team. This ESG Report mainly covers the policies, initiatives and performance of the Group’s business in relation to these issues, for the year ended 31 December 2020 (the “Reporting Period”):

ESG aspects as set forth in ESG Guide	Material ESG issues for the Group
A. Environmental	
A1 Emissions	Carbon dioxide emissions and waste management
A2 Use of resources	Use of energy and water
A3 The environment and natural resources	Air quality
B. Social	
B1 Employment	Labour practices
B2 Health and safety	Workplace health and safety
B3 Development and training	Employee development and training
B4 Labour standards	Anti-child and forced labor
B5 Supply chain management	–
B6 Product responsibility	–
B7 Anti-corruption	Anti-corruption and money laundering
B8 Community investment	Community programs and donation

Note: Since the Group is principally engaged in investment holding, and sales and purchases of securities, no significant levels of pollutants were discharged into the air or water and no substantial amounts of packaging materials were used in the Reporting Period. Therefore, disclosures relating to these aspects, as set forth in the ESG Guide, are not applicable to the Group and so have not been made.

## Environmental, Social and Governance Report (Cont'd)

### A. Environmental

The Group has established environmental policies and has communicated measurable environmental objectives to employees. The Group proactively encourages the staff to protect the environment through training, education and communication. The ultimate goal is to have all employees adopting environmentally-responsible behavior in both the workplace and their daily lives.

The Group always keeps itself up-to-date on developments in local legislation and standards for environmental protection and is committed to achieving a level of environmental performance that goes beyond compliance. During the Reporting Period, the Group did not experience any cases of non-compliance relating to environmental laws and regulations in Malaysia, Japan and Hong Kong.

#### A1 Emissions

##### Carbon dioxide emissions

The major source of carbon dioxide emissions is the use of energy. The Group has developed various energy-saving initiatives to reduce the carbon footprint (please refer to the “Use of energy” section below).

##### Waste management

Waste generated from the Group’s business activities mainly consists of paper (e.g. office paper) during the Reporting Period. No substantial hazardous waste was produced by the Group during the Reporting Period.

Type of Waste	Amount
Paper	225 Kg

The Group has launched a number of waste management programs, including:

- Recycling of glass, cardboard, paper materials, metal, printing cartridges and batteries, with collection facilities placed across the properties; and
- to encourage staff to reduce paper consumption by double-sided printing and reusing papers printed on one side.

The Group is now considering making use of recycled materials, from internal sources, to produce corporate stationery for internal use, where feasible.

#### A2 Use of resources

With the vision of helping to protect the planet and of incorporating environmental sustainability into its business functions and processes, the Group proactively seeks opportunities for increasing operating efficiency in order to reduce the use of resources. The Group also closely monitors the utilisation of resources and reports to senior management on this aspect of performance. Appropriate remedial actions to improve efficiency in the use of resources are taken, whenever necessary.

## Environmental, Social and Governance Report (Cont'd)

### A. Environmental (Cont'd)

#### A2 Use of resources (Cont'd)

##### Use of energy

The energy consumed by the Group during the Reporting Period is summarised as follows:

Type	Amount	Carbon emission
Purchased electricity <sup>(1)</sup>	12,368 Kwh <sup>(2)</sup>	9,771 Kg Co <sub>2e</sub>

Notes:

- (1) The power company-specific emission factor of Hong Kong Electric Company Limited is adopted for the calculation.
- (2) Consumption from the central building services including electricity usage due to the elevator and central air-conditioning are excluded from the reporting scope, because it was not within the operational boundary of the Company.

To achieve higher energy efficiency, the Group implemented the following key initiatives during the Reporting Period:

- Blinds for windows to reduce solar heat in air-conditioned areas and hence the strength of air-conditioning required;
- an optimal air-conditioning control program to select the best configuration automatically, based on the in-door requirement and out-door condition;
- to switch off lights and air-conditioning in the meeting room and computers at work stations where not in use; and
- LED lights in most parts of the Group's properties which save the energy usage as compared with fluorescent lights.

##### Use of water

During the Reporting Period, water consumed by the Group was not material. In addition, payment for the water usage has been included in the management fees to the Management Office of the building. Thus, consumption data of water cannot be ascertained. Nevertheless, the Group actively promotes water efficient practice, and regularly reminds and encourages its employees to use water efficiently.

#### A3 The environment and natural resources

##### Air quality

In order to improve air quality, the Group aims to reduce air emissions generated from its properties by regular examination and green initiatives. The Group is committed to fulfilling and complying with the regime of smoking prevention and control requirements.

## Environmental, Social and Governance Report (Cont'd)

### B. Social

#### B1 Employment

##### Labour practices

To ensure that the Group is able to operate according to professional and ethical labour practices, the Group has developed clear work processes with robust control mechanisms, which have been clearly communicated to all employees. Certain policies to govern employees' affairs such as payroll, attendance and termination are clearly set out in staff appointment letters in compliance with Hong Kong Employment Ordinance.

The Group also aims to promote the diversity of workforce, including in terms of age, gender and nationality, as well as a culture of equal opportunity. The management regularly reviews the Group's remuneration policy in relation to relevant market standards.

The total workforce and the number of employee turnover of the Group as at 31 December 2020 are summarised as follows:

Gender	No. of employees	No. of employee turnover	Employment Type	No. of employees	No. of employee turnover
Male	4	–	Full-time (Permanent)	9	–
Female	5	–	Full-time (Contract)	–	–
Total	9	–	Total (Hong Kong)	9	–

Age	No. of employees	No. of employee turnover	Geographical region (by above location)	No. of employees	No. of employee turnover
18-30	1	–	Hong Kong	9	–
31-40	1	–			
41-50	–	–			
51-60	2	–			
Over 60	5	–			
Total	9	–	Total	9	–

During the Reporting Period, no turnover rate of employee of the Group has been recorded.

## **Environmental, Social and Governance Report (Cont'd)**

### **B. Social (Cont'd)**

#### **B2 Health and safety**

##### **Workplace health and safety**

The Group has established a set of policies which is focused on maintaining a healthy and safe working environment, and which includes the following requirements and actions:

- The facilities operated by employees should meet safety and health standards;
- expert advice should be obtained to identify health and safety risk in the operations and the corresponding mitigating actions that should be taken;
- relevant information and training should be provided to employees in respect of risks to their health and safety which may arise out of their work; and
- medical insurance is provided to our employees.

The Group did not violate any health and safety laws and regulations of Hong Kong, where applicable, during the Reporting Period.

The Group has established a mechanism for monitoring occupational health and safety, as well as procedures for dealing with related risks. The Group engages employees in the determination of appropriate occupational health and safety precautionary measures. Accident reporting and investigation procedures have also been adopted for the follow-up of any health and safety incidents.

Regular inspections and management review of health and safety have been performed to ensure the effectiveness of the policies and measures.

During the Reporting Period, no work-related fatality and injury records from workplace have been incurred.

#### **B3 Development and training**

##### **Employee development and training**

The Group strives to promote the long-term development of its employees by providing learning opportunities that broaden their skills and make them valuable assets to the Group.

Various employee training programs and seminars held by external organisations are offered to employees including in the areas of finance, governance, languages, rules and regulations, supervisory and managerial skills, as well as various technical training courses relating to their respective job duties.

## Environmental, Social and Governance Report (Cont'd)

### B. Social (Cont'd)

#### B3 Development and training (Cont'd)

##### Employee development and training (Cont'd)

The percentage of employees of the Group receiving training and the average training hours per employee during the Reporting Period are summarised as follows:

Gender/employee category	% of employee trained	Average training hours per employee
Male	22	14.7
Female	11	15.5
General employees	11	15.5
Management	22	14.7

#### B4 Labour standards

##### Anti-child and forced labour

The Group strictly prohibits the use of child and forced labour in the Group, and is totally committed to creating a work environment which respects human rights.

In addition to having well-established recruitment processes requiring background checks on candidates and formalised reporting procedures to address any exceptions found, the Group also performs regular reviews and inspections to detect the existence of any child or forced labour in the operations.

#### B5 Supply chain management

As the Group is principally engaged in investment holding, and sales and purchases of securities, the office-based operation of the Company is not considered to have significant environmental and social risks of the supply chain. Therefore, disclosure relating to this aspect as set forth in the ESG Guide, is not applicable to the Group.

#### B6 Product responsibility

The office-based operation of the Company is not considered to have significant environmental and social risks of product responsibility due to its nature of business. Therefore, disclosure relating to this aspect, as set forth in the ESG Guide, is not applicable to the Group.



## **Environmental, Social and Governance Report (Cont'd)**

### **B. Social (Cont'd)**

#### **B7 Anti-corruption**

##### **Anti-corruption and money laundering**

The Group has in place a number of policies addressing anti-corruption, such as acceptance of gifts, and conflicts of interest, which provide guidance to employees in this area. The Group has also established policies and procedures to deal with money laundering in its operations.

In addition, the Group has established prevention system by setting up communication channels for faults and anti-corruption reporting. The whistle-blowing system can handle any breach of laws and regulations.

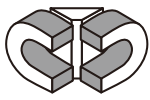
Relevant articles on anti-corruption and anti-money laundering are provided to employees for their study and reference in order to raise their awareness of the code of conduct as well as related procedures and guidelines.

During the Reporting Period, no legal case regarding corruption was brought against the Group or its employees. Also, there were no material cases of non-compliance with laws and regulations on anti-money laundering in Hong Kong, Malaysia and Japan.

#### **B8 Community investment**

##### **Community programs and donation**

The Group has been supporting education, arts and culture, sports and other charitable activities many years. During the Reporting Period, the Group made donations for charitable and community purposes amounting to approximately HK\$46,000.



**CHENG & CHENG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

鄭 鄭 會 計 師 事 務 所 有 限 公 司

## **Independent Auditor's Report**

**TO THE MEMBERS OF LEE HING DEVELOPMENT LIMITED  
(Incorporated in Hong Kong with limited liability)**

### **Report on the audit of the consolidated financial statements**

#### **Qualified opinion**

We have audited the consolidated financial statements of Lee Hing Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 89, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### **Basis for qualified opinion**

As at 31 December 2019, the Group held equity interest in PureCircle Limited with carrying amount of HK\$560,632,000. The Group classified this investment as financial assets at fair value through profit or loss – listed investment. The Group also held call option with carrying amount of HK\$48,021,000 which was related to ordinary shares of PureCircle Limited (the "call option") and classified as financial assets at fair value through profit or loss. However, the suspension of the trading in ordinary shares of PureCircle Limited took effect from 28 October 2019. Therefore, no market value of the PureCircle Limited was available as at 31 December 2019. The carrying amounts of the equity interest in PureCircle Limited and the call option were determined by reference to the closing quoted price of the ordinary shares of PureCircle Limited at 28 October 2019. There might be change of the fair value of the ordinary shares of PureCircle Limited and the call option due to the suspension of trading and the operations since 28 October 2019. The Group did not provide any reasonable measurements to reflect the fair value of the ordinary shares of PureCircle Limited and the call option. We were unable to obtain sufficient appropriate audit evidence as to the fair value of investment in PureCircle Limited and call option as at 31 December 2019 and 1 January 2020 as required under HKFRS 9 and to quantify the effect, if any, on the net assets as at 31 December 2019 and 1 January 2020, and loss for the year ended 31 December 2019. Accordingly, comparative amounts might not be comparable with those of current year.

## **Independent Auditor’s Report (Cont’d)**

### **Basis for qualified opinion (Cont’d)**

During the year ended 31 December 2020, all the equity interest in PureCircle Limited was disposed of at consideration of (i) cash consideration of HK\$59,374,000 and (ii) 39,246,277 B ordinary shares of Ingredion SRSS Holdings Limited. As at 31 December 2020, investment in Ingredion SRSS Holdings Limited was classified as financial assets at fair value through profit or loss and stated at the carrying amount of HK\$177,097,000. Since the Group could not obtain sufficient information to carry out a reasonable valuation, the carrying amount of HK\$177,097,000 was determined by reference to the Group’s share of net assets of Ingredion SRSS Holdings Limited based on its unaudited financial statements as at 31 December 2020. Consequently, we were unable to obtain sufficient appropriate audit evidence as to the fair value of investment in Ingredion SRSS Holdings Limited as at 31 December 2020 and to quantify the effect, if any, on the net assets as at 31 December 2020.

In view of the circumstances as mentioned in the preceding paragraphs and the absence of reliable valuations of investments in PureCircle Limited as at 31 December 2019 and 1 January 2020, and B ordinary shares of Ingredion SRSS Holdings Limited as at 31 December 2020, we were unable to obtain sufficient appropriate audit evidence as to the accuracy of the fair value changes relevant to these two investments recognised in the consolidated statement of profit or loss, including loss on disposal of equity interest in PureCircle Limited of HK\$302,852,000 and gain on disposal of B ordinary shares of Ingredion SRSS Holdings Limited of HK\$9,118,000, included in “net loss on financial assets at fair value through profit or loss – listed investments” and “revenue and income” of the consolidated statement of profit and loss respectively.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Independent Auditor's Report (Cont'd)

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the key audit matter was addressed in our audit
Valuation, existence and ownership of financial assets at fair value through profit or loss – listed investments	Our audit procedures included the following:  We agreed the value, existence and ownership of financial assets at fair value through profit or loss – listed investments as at 31 December 2020 to relevant bank statements/confirmation. These listed shares were held by banks as security for facilities granted to the Group or for safe custody;
Refer to notes 23 and 34 to the consolidated financial statements	We used independent sources of information to identify market value of financial assets at fair value through profit or loss – listed investments, and compared to the amount as stated in note 23 to the consolidated financial statements, and to ensure the market prices were quoted prices in active markets; and
As at 31 December 2020, the financial assets at fair value through profit or loss – listed investments were valued at HK\$177,792,000 and classified as level 1 financial instruments in accordance with HKFRS 13 where quoted prices in active markets are available for identical assets.	We found that financial assets at fair value through profit or loss – listed investments were properly held and valued by the Group.

## Independent Auditor's Report (Cont'd)

### Key audit matters (Cont'd)

Key audit matter (Cont'd)	How the key audit matter was addressed in our audit (Cont'd)
Valuation of investment properties	Our audit procedures included the following:
Refer to note 16 to the consolidated financial statements	<ul style="list-style-type: none"><li>– We reviewed the valuation report from independent qualified valuer and discussed with management and independent qualified valuer to understand the valuation basis, methodology used and underlying assumptions applied;</li><li>– We evaluated the competency, capabilities and objectivity of independent qualified valuer;</li><li>– We obtained the underlying data including comparables of market transactions being used by the independent qualified valuer and assessed whether they are appropriate; and</li><li>– We performed market research and analysis to assess whether the changes in fair value of investment properties resulted from the valuation were reasonable and consistent with market trends to our knowledge.</li></ul>
We identified the valuation of investment properties as a key audit matter due to the key source of estimation uncertainty and the significant assumptions and judgements involved in the valuation.	
The Group's investment properties amounted to HK\$60,000,000 as at 31 December 2020. Gain on revaluation of investment properties of HK\$5,000,000 was recognised in profit or loss.	

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

The Directors are responsible for the other information. The other information comprises the information included in the annual report 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. As described in the Basis for qualified opinion section above, we were unable to obtain sufficient appropriate evidence about investment in PureCircle Limited and the call option as at 31 December 2019 and 1 January 2020, and loss for the year ended 31 December 2019, loss on disposal of equity interest in PureCircle Limited, gain on disposal of B ordinary shares of Ingredion SRSS Holdings Limited, and investment in Ingredion SRSS Holdings Limited as at 31 December 2020. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

## **Independent Auditor's Report (Cont'd)**

### **Responsibilities of Directors for the consolidated financial statements**

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

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

The Directors 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 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional 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.

## **Independent Auditor's Report (Cont'd)**

### **Auditor's responsibilities for the audit of the consolidated financial statements (Cont'd)**

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 safeguard 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.

## **Independent Auditor's Report (Cont'd)**

### **Report on other matters under section 407(3) of the Hong Kong Companies Ordinance**

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the fair value of financial assets at fair value through profit or loss – listed investments, and call option as at 31 December 2019 and 1 January 2020, and loss for the year ended 31 December 2019, loss on disposal of equity interest in PureCircle Limited, gain on disposal of B ordinary shares of Ingredion SRSS Holdings Limited and fair value of financial assets at fair value through profit or loss – unlisted investments as at 31 December 2020 as described in the Basis for qualified opinion section of our report above:

- We have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

### **CHENG & CHENG LIMITED**

Certified Public Accountants

Level 35, Tower 1, Enterprise Square Five,  
38 Wang Chiu Road, Kowloon Bay  
Kowloon, Hong Kong

Lam Hok Nin, Sammy  
Practising Certificate number P02975

13 April 2021



## Consolidated Statement of Profit or Loss for the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue and income	6	17,024	20,160
Unrealised (loss)/gain on derivative financial instruments		(92)	6,661
Unrealised loss on financial assets at fair value through profit or loss – unlisted investments		(53,632)	–
Unrealised loss on financial assets at fair value through profit or loss – listed investments		(48,881)	(455,043)
Net loss on financial assets at fair value through profit or loss – listed investments		(319,316)	–
Impairment loss of freehold land		(3,815)	–
Impairment loss of construction in progress		–	(6,906)
Gain/(loss) on revaluation of investment properties		5,000	(1,000)
Operating expenses		(32,552)	(25,063)
Operating loss before finance costs	8	(436,264)	(461,191)
Finance costs	11	(8,456)	(20,365)
Operating loss after finance costs		(444,720)	(481,556)
Share of results of associates		(1,772)	(53)
Loss before tax		(446,492)	(481,609)
Income tax	12	(5)	(47)
Loss attributable to owners of the Company		(446,497)	(481,656)
Loss per share (HK cents)	15		
Basic and diluted		(304.19)	(328.15)

Details of dividends paid and proposed are disclosed in note 14 to the consolidated financial statements.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income** for the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Loss attributable to owners of the Company		(446,497)	(481,656)
Other comprehensive (loss)/income	13		
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties at the date of change in use		–	15,999
Financial assets at fair value through other comprehensive income: net movements in investment revaluation reserve		(822)	(1,500)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries and associates		(821)	2,562
		(1,643)	17,061
Total comprehensive loss attributable to owners of the Company		(448,140)	(464,595)

## Consolidated Statement of Financial Position as at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties	16	60,000	55,000
Property, plant and equipment	17	26,327	30,268
Associates	19	25,457	27,387
Financial assets at fair value through profit or loss	20	177,097	806,120
Financial assets at fair value through other comprehensive income	21	7,595	8,417
Other non-current assets	22	–	–
		<u>296,476</u>	<u>927,192</u>
Current assets			
Financial assets at fair value through profit or loss	23	177,792	48,021
Derivative financial instruments	24	–	11,276
Other assets	25	295	295
Accounts receivable, deposits and prepayments	26	655	843
Current tax assets		30	–
Time deposits and bank balances		16,313	7,203
		<u>195,085</u>	<u>67,638</u>
Current liabilities			
Bank borrowings	27	77,375	220,388
Accounts payable, deposits and accruals	28	2,201	2,801
Derivative financial instruments	24	92	–
Other payable	29	348	348
Current tax liabilities		–	13
		<u>80,016</u>	<u>223,550</u>
Net current assets/(liabilities)		<u>115,069</u>	<u>(155,912)</u>
Total assets less current liabilities		411,545	771,280
Non-current liabilities			
Bank borrowings	27	88,342	–
Net assets		<u>323,203</u>	<u>771,280</u>
Equity			
Share capital	30	717,808	717,808
Reserves	31	(394,605)	53,472
Total equity		<u>323,203</u>	<u>771,280</u>

**Tan Boon Seng**  
Director

**Chan Kai Kwok**  
Director

## Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Note	Share capital	Investment revaluation reserve	Translation reserve	Property revaluation reserve	Retained profits/ (accumulated losses)	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020		717,808	(1,913)	11,774	15,999	27,612	771,280
Loss for the year		-	-	-	-	(446,497)	(446,497)
Other comprehensive loss for the year	13	-	(822)	(821)	-	-	(1,643)
Total comprehensive loss for the year		-	(822)	(821)	-	(446,497)	(448,140)
Unclaimed dividend forfeited		-	-	-	-	63	63
		-	-	-	-	63	63
At 31 December 2020		717,808	(2,735)	10,953	15,999	(418,822)	323,203
At 1 January 2019		717,808	(413)	9,212	-	512,919	1,239,526
Loss for the year		-	-	-	-	(481,656)	(481,656)
Other comprehensive income for the year	13	-	(1,500)	2,562	15,999	-	17,061
Total comprehensive loss for the year		-	(1,500)	2,562	15,999	(481,656)	(464,595)
2018 final dividend		-	-	-	-	(3,670)	(3,670)
Unclaimed dividend forfeited		-	-	-	-	19	19
		-	-	-	-	(3,651)	(3,651)
At 31 December 2019		717,808	(1,913)	11,774	15,999	27,612	771,280

## Consolidated Statement of Cash Flows for the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Net cash used in operating activities	32(a)	(21,781)	(41,257)
Cash flows from investing activities			
Purchase of property, plant and equipment		(696)	(90)
Purchase of financial assets at fair value through profit or loss – listed investments		(1,346)	(2,654)
Proceeds from disposals of financial assets at fair value through profit or loss		88,261	239,940
Proceeds from disposal of property, plant and equipment		380	–
Decrease in bank deposits pledged to banks		529	20,377
Net cash generated from investing activities		87,128	257,573
Cash flows from financing activities			
Repayment of bank loans		(51,882)	(213,384)
Dividends paid		–	(3,669)
Net cash used in financing activities		(51,882)	(217,053)
Net increase/(decrease) in cash and cash equivalents		13,465	(737)
Cash and cash equivalents at 1 January		418	983
Effect of foreign exchange rates changes		(223)	172
Cash and cash equivalents at 31 December		13,660	418
Analysis of the balances of cash and cash equivalents			
Time deposits and bank balances		16,313	7,203
Bank deposits pledged to banks		(2,653)	(3,182)
Bank overdrafts		–	(3,603)
		13,660	418

## Notes to the Consolidated Financial Statements

### 1. General information

The Company is a company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office and principal place of business is Suite 1506-07, 15/F., Nine Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are property investment, property development, investment holding, and sales and purchases of securities.

### 2. Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), except for HKFRS 9, accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 3. Adoption of new and revised Hong Kong Financial Reporting Standards

The HKICPA has issued the following revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2020:

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

The adoption of the above revised HKFRSs has no material impact on these consolidated financial statements.

## Notes to the Consolidated Financial Statements (Cont'd)

### 3. Adoption of new and revised Hong Kong Financial Reporting Standards (Cont'd)

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16 (Amendment)	Covid-19 – Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts and the Related Amendments	1 January 2023
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022

The Group has already commenced an assessment of the impact of new and revised HKFRSs, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies

#### (a) Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, certain financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments which are stated at fair value.

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group's interests in associates.

#### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December.

#### (c) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If this consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.



## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (c) Subsidiaries (Cont'd)

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the carrying amount for the purposes of subsequently accounting for the retained interest as associates, joint ventures or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or other equity, as appropriate.

Non-controlling interest is the equity in a subsidiary which is not attributable, directly or indirectly, to the Company. The Group treats transactions with non-controlling interest (namely, acquisitions of additional interests and disposals of partial interests in subsidiaries that do not result in a loss of control) as transactions with equity owners of the Group. For purchases of additional interests in subsidiaries from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interests to non-controlling shareholders are also recorded in equity.

The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In the Company's statement of financial position, investments in subsidiaries are stated at cost less any accumulated impairment losses.

#### (d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under equity method of accounting, less any accumulated impairment losses. The Group's share of the associates' post-acquisition results is recognised in profit or loss, and its share of the associates' post-acquisition other comprehensive income is recognised in other comprehensive income. When the share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further loss, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss. For equity accounting purpose, accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's statement of financial position, investments in associates are stated at cost less any accumulated impairment losses.

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortisation and depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally recognised in profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

Depreciation or amortisation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates:

Building	2%
Freehold land	–
Construction in progress	–
Equipment and motor vehicles	10% – 20%

The useful lives and residual values of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

#### (f) Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including transaction costs and thereafter stated at fair value which reflects market conditions at the end of reporting period. Any changes in fair value are recognised in profit or loss.

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. The gain or loss arising from the derecognition of an investment property is the difference between the net sale proceeds and the carrying amount of the relevant assets and is recognised in profit or loss.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the HKAS 16.

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (g) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, it is classified as a lease.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are also subject to impairment.

Right-of-use asset which is leasehold land is depreciated on a straight-line basis over the lease terms.

#### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### (h) Financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (h) Financial assets (Cont'd)

##### Initial recognition and measurement (Cont'd)

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

#### (i) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes amounts due from associates, other non-current assets, other receivables and deposits, time deposits and bank balances.

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (h) Financial assets (Cont'd)

##### Subsequent measurement (Cont'd)

#### (ii) Financial assets at FVTOCI (debt instruments)

The Group measures debt instruments at FVTOCI if both of the following conditions are met:

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

For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

#### (iii) Financial assets designated at FVTOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVTOCI are not subject to impairment assessment.

#### (iv) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (h) Financial assets (Cont'd)

##### Subsequent measurement (Cont'd)

#### (iv) Financial assets at FVTPL (Cont'd)

Financial assets at FVTPL are carried at fair value with net changes in fair value recognised in profit or loss.

This category includes unlisted investments, call option, derivative financial instruments and listed equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on listed equity investments are also recognised in profit or loss when the right of payment has been established.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

#### Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECLs”) on the following items:

- financial assets measured at amortised cost (including amounts due from associates, other non-current assets, other receivable and deposits, and time deposits and bank balances).

#### Measurement of ECLs

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

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

- fixed-rate financial assets (amounts due from associates, other non-current assets, other receivables and deposits, and time deposits): effective interest rate determined at initial recognition or an approximation thereof.
- variable-rate financial assets (bank balance): current effective interest rate.

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

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

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (h) Financial assets (Cont'd)

##### Impairment of financial assets (Cont'd)

ECLs are measured on either of the following bases:

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

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

##### Significant increases in credit risk

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

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

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

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (h) Financial assets (Cont'd)

##### Impairment of financial assets (Cont'd)

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

##### Basis of calculation of interest income

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

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

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

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

##### Write-off policy

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

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



## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (i) Impairment of assets

At the end of each reporting period, assets, other than financial assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. When an indication of impairment exists, the Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs of disposal and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss recognised in prior year for an asset is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

#### (j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits, other short-term highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less and bank overdrafts.

#### (k) Payables

Payables (including accounts payable, deposits and accruals and other payable) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

#### (l) Bank borrowings

Bank borrowings are initially recognised at fair value, net of transaction costs associated with the borrowings. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### (m) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

#### (n) Income tax

Income tax represents the sum of current tax and deferred tax.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (n) Income tax (Cont'd)

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

#### (o) Revenue recognition

Major categories of revenues are recognised in the consolidated financial statements on the following bases:

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

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the financial asset.

Rental income arising from investment properties is accounted for on a straight-line basis over the lease terms.

#### (p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

#### (q) Financial guarantees issued and contingent liabilities

##### Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within accounts payable, deposits and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

Financial guarantees are assessed for ECLs. The Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECLs is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECLs is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 4(h) apply.

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (q) Financial guarantees issued and contingent liabilities (Cont'd)

##### Financial guarantees issued (Cont'd)

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

##### Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

#### (r) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollars, which are the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange differences arising on the translation of monetary items carried at fair value are reported as part of fair value gain or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are recognised in profit or loss except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of those foreign subsidiaries and associates that have a functional currency different from the presentation currency of the Group are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period and their income and expenses are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. On disposal of a foreign entity, the cumulative exchange difference which relates to that entity is included in the calculation of the profit or loss on disposal.

## Notes to the Consolidated Financial Statements (Cont'd)

### 4. Significant accounting policies (Cont'd)

#### (r) Foreign currencies (Cont'd)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

#### (s) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or the Group's holding company.

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

- (a) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (b) 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).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
- (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's holding company.

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.

## Notes to the Consolidated Financial Statements (Cont'd)

### 5. Critical accounting estimates and judgements

The Group makes estimates, assumptions and judgements as appropriate in the preparation of the consolidated financial statements. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include write back/provision for impairment losses on investments in and amount due from associates, and amount due from an investee company, and valuation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss – unlisted investments and investment properties.

The Directors have determined that the presumption that the carrying amount of investment properties measured using the fair value model is recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the fair value changes are not subject to tax.

### 6. Revenue and income

Analysis of the Group's revenue and income is as follows:

	2020 HK\$'000	2019 HK\$'000
Net gain on financial assets at fair value		
through profit or loss – listed investments	–	10,438
Net gain on financial assets at fair value		
through profit or loss – unlisted investments	9,118	13
Dividends from listed investments	4,013	7,808
Dividends from unlisted investments	294	–
Interest income on financial assets not at fair value		
through profit or loss	69	250
Rental income	1,056	771
Net exchange gain	1,812	–
Write back of impairment losses on amount due		
from an investee company	–	274
Net gain on disposal of property, plant and equipment	220	–
Sundry income	442	606
	<u>17,024</u>	<u>20,160</u>

## Notes to the Consolidated Financial Statements (Cont'd)

### 7. Segment reporting

The Group determines its operating segments based on the internal reports reviewed by the Group's chief operating decision maker that are used to allocate resources to the segments and assess their performance. The chief operating decision maker of the Group has been identified as the Managing Director.

Business segment

The Group comprises the following segments:

Share investment and dealing – investment in listed and unlisted securities, purchases and sales of listed securities

Other operation – property investment

	Share investment and dealing		Other operation		Consolidated	
	2020 HK'000	2019 HK'000	2020 HK'000	2019 HK'000	2020 HK'000	2019 HK'000
Segment revenue and income						
Revenue and income	15,968	19,389	1,056	771	17,024	20,160
Total revenue and income	<u>15,968</u>	<u>19,389</u>	<u>1,056</u>	<u>771</u>	<u>17,024</u>	<u>20,160</u>
Segment results	<u>(445,786)</u>	<u>(473,139)</u>	<u>4,881</u>	<u>(1,511)</u>	<u>(440,905)</u>	<u>(474,650)</u>
Impairment loss of freehold land					(3,815)	-
Impairment loss of construction in progress					-	(6,906)
Share of results of associates					<u>(1,772)</u>	<u>(53)</u>
Loss before tax					(446,492)	481,609
Income tax					<u>(5)</u>	<u>(47)</u>
Loss attributable to owners of the Company					<u>(446,497)</u>	<u>(481,656)</u>

## Notes to the Consolidated Financial Statements (Cont'd)

### 7. Segment reporting (Cont'd)

	Share investment and dealing		Other operation		Consolidated	
	2020 HK'000	2019 HK'000	2020 HK'000	2019 HK'000	2020 HK'000	2019 HK'000
Segment assets	395,552	897,817	60,233	55,522	455,785	953,339
Associates					25,457	27,387
Unallocated assets					10,319	14,104
Total assets					491,561	994,830
Segment liabilities	143,160	197,169	25,198	26,368	168,358	223,537
Unallocated liabilities					-	13
Total liabilities					168,358	223,550
	2020 HK'000	2019 HK'000	2020 HK'000	2019 HK'000	2020 HK'000	2019 HK'000
Other segment information						
Depreciation	381	448	265	230	646	678
Amortisation of leasehold land	16	74	-	-	16	74
Additions to property, plant and equipment	696	90	-	-	696	90
Unrealised (loss)/gain on derivative financial instruments	(92)	6,661	-	-	(92)	6,661
Unrealised loss on financial assets at fair value through profit or loss						
- unlisted investments	53,632	-	-	-	53,632	-
Unrealised loss on financial assets at fair value through profit or loss						
- listed investments	48,881	455,043	-	-	48,881	455,043
Gain/(loss) on revaluation of investment properties	-	-	5,000	(1,000)	5,000	(1,000)
Finance costs	7,744	19,521	712	844	8,456	20,365
Interest income	69	250	-	-	69	250
Net loss on financial assets at fair value through profit or loss						
- listed investments	319,316	-	-	-	319,316	-
Net gain on financial assets at fair value through profit or loss - unlisted investments	9,118	13	-	-	9,118	13
Net gain on disposal of property, plant and equipment	220	-	-	-	220	-
Net loss on derivative financial instruments	11,246	-	-	-	11,246	-

Segment results represent profit/loss incurred by each segment without share of results of associates, impairment loss of freehold land, impairment loss of construction in progress and income tax.

Segment assets include all non-current assets and current assets with the exception of interests in associates, freehold land outside Hong Kong, construction in progress and current tax assets.

Segment liabilities include all non-current liabilities and current liabilities with the exception of current tax liabilities.

## Notes to the Consolidated Financial Statements (Cont'd)

### 7. Segment reporting (Cont'd)

Geographical information

Analysis of the Group's revenue and income, and non-current assets (excluding financial instruments) by geographical location is as follows:

	Revenue and income		Non-current assets	
	2020 HK'000	2019 HK'000	2020 HK'000	2019 HK'000
Hong Kong	2,035	1,375	75,690	70,826
Malaysia	4,060	18,473	–	–
Thailand	–	–	23,433	25,351
Britain	9,908	–	–	–
Europe	965	–	–	–
Japan	–	–	10,289	14,104
Others	56	312	–	–
	<u>17,024</u>	<u>20,160</u>	<u>109,412</u>	<u>110,281</u>

The geographical location of revenue and income is mainly based on the location of stock market in which the securities are listed or place of incorporation of unlisted companies. The geographical location of non-current assets is based on the physical location of assets or location of operation of associates.

### 8. Operating loss before finance costs

	2020 HK\$'000	2019 HK\$'000
Operating loss before finance costs is stated at after charging/(crediting):		
Auditors' remuneration:		
audit services	465	459
others	232	82
Directors' emoluments:		
fees	760	760
salaries and allowances	8,299	9,135
contributions to retirement scheme	297	297
Staff costs (excluding Directors' emoluments)	3,070	3,301
Depreciation	646	678
Amortisation of leasehold land	16	74
Net loss on derivative financial instruments	11,246	–
Net loss/(gain) on financial assets at fair value through profit or loss – listed investments	319,316	(10,438)
Impairment loss/(write back) on amount due from an investee company	965	(274)
Net gain on disposal of property, plant and equipment	(220)	–
Net exchange (gain)/loss	(1,812)	2,452
Net gain on financial assets at fair value through profit or loss – unlisted investments	(9,118)	(13)
Rental income from investment properties	(1,056)	(771)
Direct operating expenses arising from investment properties	180	180



## Notes to the Consolidated Financial Statements (Cont'd)

### 9. Directors' remuneration

The emoluments of the Directors are as follows:

2020

	As Directors	As management			Total HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits HK\$'000	Performance bonus HK\$'000	Contributions to retirement scheme HK\$'000	
<i>Executive Directors</i>					
Mr. Tan Boon Seng	167	7,140	–	239	7,546
Mr. Chan Kai Kwok	142	1,159	–	58	1,359
<i>Independent Non-executive Directors</i>					
Mr. Ho Hau Chong, Norman	167	–	–	–	167
Mr. Fung Ka Pun	142	–	–	–	142
Mr. Lim Lay Leng	142	–	–	–	142
	760	8,299	–	297	9,356

2019

	As Directors	As management			Total HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits HK\$'000	Performance bonus HK\$'000	Contributions to retirement scheme HK\$'000	
<i>Executive Directors</i>					
Mr. Tan Boon Seng	167	7,976	–	239	8,382
Mr. Chan Kai Kwok	142	1,159	–	58	1,359
<i>Independent Non-executive Directors</i>					
Mr. Ho Hau Chong, Norman	167	–	–	–	167
Mr. Fung Ka Pun	142	–	–	–	142
Mr. Lim Lay Leng	142	–	–	–	142
	760	9,135	–	297	10,192

The emoluments of Directors, including basic salary and performance bonus, are based on each Director's skill, knowledge and involvement in the Company's affairs, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

There was no arrangement under which a Director had waived or agreed to waive any remuneration.

## Notes to the Consolidated Financial Statements (Cont'd)

### 10. Five highest-paid employees

During the year, the five highest-paid employees in the Group included two (2019: two) Directors, details of whose emoluments are included in the disclosure of Directors' remuneration. The details of the remaining three (2019: three) highest-paid non-director employees are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other emoluments	1,784	1,784
Performance bonus	–	–
Contributions to retirement scheme	89	89
	<u>1,873</u>	<u>1,873</u>

The emoluments of each of the non-director employee were below HK\$1,000,000 for 2020 and 2019.

### 11. Finance costs

	2020 HK\$'000	2019 HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss:		
interest on bank loans	8,012	18,803
interest on bank overdrafts	157	214
	<u>8,169</u>	<u>19,017</u>
Bank loan arrangement fee and bank charges	287	1,348
	<u>8,456</u>	<u>20,365</u>

### 12. Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	2020 HK\$'000	2019 HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	5	47
	<u>5</u>	<u>47</u>

No Hong Kong profits tax has been provided by the Company and its subsidiaries for the 2020/21 year of assessment (2019/20: no provision) as no assessable profit was earned during the year.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

## Notes to the Consolidated Financial Statements (Cont'd)

### 12. Income tax (Cont'd)

- (b) The reconciliation between income tax and accounting loss of the Group in the consolidated statement of profit or loss is as follows:

	2020 HK\$'000	2019 HK\$'000
Loss before tax	(446,492)	(481,609)
Share of results of associates	<u>1,772</u>	<u>53</u>
	<u>(444,720)</u>	<u>(481,556)</u>
Notional tax at the applicable tax rate of 16.5% (2019: 16.5%)	(73,379)	(79,457)
Tax effect of net expenses that are not deductible in determining taxable profit	76,432	76,700
Tax effect of unrecognised tax losses and temporary differences in the year	363	48
Effect of different tax rate in other jurisdiction	<u>(3,411)</u>	<u>2,756</u>
Income tax	<u>5</u>	<u>47</u>

- (c) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2019	241	(241)	–
(Credited)/charged to consolidated statement of profit or loss for the year	<u>(17)</u>	<u>17</u>	<u>–</u>
At 31 December 2019	224	(224)	–
Charged/(credited) to consolidated statement of profit or loss for the year	<u>69</u>	<u>(69)</u>	<u>–</u>
At 31 December 2020	<u>293</u>	<u>(293)</u>	<u>–</u>

## Notes to the Consolidated Financial Statements (Cont'd)

### 12. Income tax (Cont'd)

#### (d) Deferred tax assets unrecognised

At 31 December 2020, the Group had unused tax losses of HK\$39,899,000 (2019: HK\$37,634,000) available for set-off against future taxable profit. A deferred tax asset has been recognised in respect of HK\$1,776,000 (2019: HK\$1,358,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$38,123,000 (2019: HK\$36,276,000) due to unpredictability of future taxable profit streams. The tax losses do not expire under current tax legislation.

### 13. Other comprehensive (loss)/income

	2020 HK\$'000	2019 HK\$'000
Gain on revaluation of properties at the date of change in use	–	15,999
Financial assets at fair value through other comprehensive income		
Changes in fair value recognised during the year	(822)	(1,500)
Net movements in investment revaluation reserve during the year recognised in other comprehensive income	(822)	(1,500)
Exchange differences on translation of financial statements of foreign subsidiaries and associates	(821)	2,562
Other comprehensive (loss)/income for the year, net of tax	(1,643)	17,061

### 14. Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: Nil).

## Notes to the Consolidated Financial Statements (Cont'd)

### 15. Loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK\$446,497,000 (2019: HK\$481,656,000) and the weighted average of 146,781,285 shares (2019: 146,781,285 shares) in issue during the year.

Diluted loss per share is same as basic loss per share because there were no potential dilutive shares outstanding during the years 2019 and 2020.

### 16. Investment properties

	2020 HK\$'000	2019 HK\$'000
Valuation		
At 1 January	55,000	–
Transfer from property, plant and equipment	–	40,001
Changes in fair value recognised in other comprehensive income	–	15,999
Changes in fair value recognised in profit or loss	5,000	(1,000)
	<u>60,000</u>	<u>55,000</u>
At 31 December	<u>60,000</u>	<u>55,000</u>

The Group's ownership interests in leasehold investment properties are situated in Hong Kong and are held under the lease term between 10 and 50 years and renewable for further 75 years in Hong Kong (subject to approval from Hong Kong Government).

All investment properties were classified under Level 3 in the fair value hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2019: Nil).

As at 31 December 2020 and 31 December 2019, investment properties were revalued according to the valuation report issued by Anchor Surveyors, a firm of independent professional qualified valuers.

The fair value of investment properties located in Hong Kong is determined using the market comparison approach by reference to recent sales price of comparable properties on a price per square feet basis. Below is a summary of the significant inputs to the valuation of investment properties:

	2020		2019	
	Range HK\$	Weighted average HK\$	Range HK\$	Weighted average HK\$
Price per square feet	<u>29,803 to 32,852</u>	<u>31,041</u>	<u>27,384 to 28,967</u>	<u>28,403</u>

A significant increase/decrease in the price per square feet would result in a significant increase/decrease in the fair value of the investment properties.

## Notes to the Consolidated Financial Statements (Cont'd)

### 17. Property, plant and equipment

	Leasehold land in Hong Kong	Buildings in Hong Kong	Freehold land outside Hong Kong	Construction in progress	Equipment and motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost						
At 1 January 2019	55,071	5,508	14,104	6,821	5,159	86,663
Additions	-	-	-	-	90	90
Disposals	-	-	-	-	(60)	(60)
Translation difference	-	-	-	57	-	57
Transfer to investment properties	(41,187)	(2,608)	-	-	-	(43,795)
At 31 December 2019	13,884	2,900	14,104	6,878	5,189	42,955
Additions	-	-	-	-	696	696
Disposals	-	-	-	-	(1,600)	(1,600)
At 31 December 2020	13,884	2,900	14,104	6,878	4,285	42,051
Accumulated amortisation and depreciation, and impairment losses						
At 1 January 2019	3,612	1,381	-	-	3,918	8,911
Impairment losses	-	-	-	6,906	-	6,906
Provision	74	65	-	-	613	752
Translation difference	-	-	-	(28)	-	(28)
Transfer to investment properties	(3,392)	(402)	-	-	-	(3,794)
Write back	-	-	-	-	(60)	(60)
At 31 December 2019	294	1,044	-	6,878	4,471	12,687
Impairment losses	-	-	3,815	-	-	3,815
Provision	16	58	-	-	588	662
Write back	-	-	-	-	(1,440)	(1,440)
At 31 December 2020	310	1,102	3,815	6,878	3,619	15,724
Net book amount						
At 31 December 2020	13,574	1,798	10,289	-	666	26,327
At 31 December 2019	13,590	1,856	14,104	-	718	30,268

The Group's ownership interests in leasehold land (for administrative purpose) are held under the lease term of 50 years or more.

Impairment loss of freehold land has been provided based on market condition at the end of the reporting period. The recoverable amount of the freehold land has been determined based on fair value less costs of disposal using market comparison approach by reference to recent sales price of comparable properties, adjusted for 10% discount for different location and view. The fair value is categorised as a Level 3 measurement as defined in HKFRS 13.

Impairment loss of construction in progress was provided as the management considered the possibility of joint development with others and that there might be changes of current development.

## Notes to the Consolidated Financial Statements (Cont'd)

### 18. Subsidiaries

Details of subsidiaries are as follows:

Unlisted companies	Principal activities	Issued and paid up ordinary share capital/registered capital	Places of incorporation/operation	Percentage of equity interest held	
				by the Company	by the Group
HK 8 Limited	Investment holding	1 share of US\$1	Liberia/Hong Kong	-	100
HK 12 Limited	Investment holding	1 share of US\$1	Liberia/Hong Kong	-	100
HK 888 Limited	Sales and purchases of securities	1 share of US\$1	Liberia/Hong Kong	-	100
kabushiki kaisha zali at hakone*	Property development	1,000 ordinary shares of JPY10,000 each	Japan	-	100
Lee Hing Investment Company, Limited	Property investment, investment holding, and sales and purchases of securities	2,000 ordinary shares	Hong Kong	100	100
Teamlight Enterprises Limited	Property investment	1 ordinary share	Hong Kong	-	100
Wang Tak Company Limited	Property investment, investment holding, and sales and purchases of securities	1,000 ordinary shares	Hong Kong	100	100
Wang Tak Majujaya Sdn. Bhd.*	Investment holding, and sales and purchases of securities	2 ordinary shares of RM1 each	Malaysia	-	100

\* Companies not audited by CHENG & CHENG LIMITED.

### 19. Associates

	2020 HK\$'000	2019 HK\$'000
Unlisted investments		
Share of net assets	40,115	42,043
Less: Impairment losses	(17,030)	(17,030)
	<u>23,085</u>	<u>25,013</u>
Amounts due from associates	4,456	4,458
Less: Provision for impairment losses	(2,084)	(2,084)
	<u>2,372</u>	<u>2,374</u>
	<u>25,457</u>	<u>27,387</u>

Amounts due from associates are unsecured, non-interest bearing with no fixed term of repayment.

## Notes to the Consolidated Financial Statements (Cont'd)

### 19. Associates (Cont'd)

Summarised financial information of the material associate, Trusoul Ayutthaya Co., Ltd. and reconciled to the carrying amounts in the consolidated financial statements are disclosed below:

	2020 HK\$'000	2019 HK\$'000
Gross amounts of the associate		
Current assets	1,721	1,850
Non-current assets	49,079	52,862
Current liabilities	(3,899)	(3,910)
Non-current liabilities	–	–
Equity	46,901	50,802
Revenue	3	7
Loss for the year	(3,586)	(99)
Other comprehensive income	–	–
Total comprehensive loss	(3,586)	(99)
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of associate	46,901	50,802
Group's effective interest	49%	49%
Carrying amount in the consolidated financial statements	<u>22,981</u>	<u>24,893</u>

Aggregate information of associates that are not individually material:

	2020 HK\$'000	2019 HK\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	104	120
Aggregate amounts of the Group's share of those associates		
Loss for the year	(14)	(5)
Other comprehensive income	–	–
Total comprehensive loss	(14)	(5)



## Notes to the Consolidated Financial Statements (Cont'd)

### 19. Associates (Cont'd)

Details of the associates are as follows:

Unlisted companies	Principal activities	Places of incorporation/ operation	Issued and paid up ordinary share capital/registered capital	Percentage of equity interest held	
				by the Company	by the Group
Parkway M & A Capital Corporation*	Investment holding	British Virgin Islands	4,500,000 shares of US\$1 each	-	39
Phil Inc.*	Dormant	U.S.A.	100,000 common shares of US\$1 each	20	20
Start Hold Limited*	Investment holding	Hong Kong	6 ordinary shares	-	33
Trusoul Ayutthaya Co., Ltd.*	Property development	Thailand	2,000,000 common shares of Baht 100 each	-	49
Trusoul Ayutthaya Holding Co., Ltd.*	Investment holding	Thailand	40,000 common shares of Baht 100 each	-	49

\* Companies not audited by CHENG & CHENG LIMITED.

### 20. Financial assets at fair value through profit or loss

	2020 HK\$'000	2019 HK\$'000
Listed equity securities, at market value		
Overseas	-	806,120
Unlisted investments, at fair value	177,097	-
	<u>177,097</u>	<u>806,120</u>
At 1 January	806,120	1,534,776
Additions/conversion	295,794	2,654
Disposals	(644,886)	(229,502)
Transfer	(177,792)	(48,021)
Changes in fair value recognised in profit or loss	(102,513)	(455,043)
Exchange differences recognised in translation reserve	374	1,256
	<u>177,097</u>	<u>806,120</u>
At 31 December	<u>177,097</u>	<u>806,120</u>

## Notes to the Consolidated Financial Statements (Cont'd)

### 20. Financial assets at fair value through profit or loss (Cont'd)

Exchange differences represent part of exchange differences arising from translation of financial statements of foreign entities.

Fair value of unlisted investments of HK\$177,097,000 was determined by the Directors by reference to the Group's share of net assets of Ingredion SRSS Holdings Limited based on its unaudited financial statements as at 31 December 2020.

The movements of Level 3 fair value measurements are as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	–	–
Additions	246,427	–
Disposal	(15,698)	–
Changes in fair value recognised in profit or loss	<u>(53,632)</u>	<u>–</u>
At 31 December	<u>177,097</u>	<u>–</u>

As at 31 December 2019, included in listed equity securities of HK\$806,120,000, an amount of HK\$560,632,000 was market value of investment in PureCircle Limited as at 28 October 2019 (date of suspension of trading).

Details of the financial assets at fair value through profit or loss are as follows:

Unlisted company	Place of incorporation	Class of shares	Percentage of equity interest held
Ingredion SRSS Holdings Limited	England	A and B Ordinary shares of GBP0.01 each	8.21% (2019: Nil)

During the year, the entire ordinary shares of PureCircle Limited held by the Group have been disposed of at consideration of cash of HK\$59,374,000 and B ordinary shares of Ingredion SRSS Holdings Limited of HK\$246,427,000. Afterwards, 2,500,000 B ordinary shares of Ingredion SRSS Holdings Limited of HK\$15,698,000 were disposed of. On 29 January 2021, Ingredion SRSS Holdings Limited changed its name to PureCircle Limited.

## Notes to the Consolidated Financial Statements (Cont'd)

### 21. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are equity securities held for strategic purposes and stated at fair value. The Group elected to classify irrevocably these investments as financial assets at fair value through other comprehensive income. Dividend of HK\$294,000 was received by the Group during the year (2019: Nil).

	2020 HK\$'000	2019 HK\$'000
At 1 January	8,417	9,917
Changes in fair value recognised in other comprehensive income	<u>(822)</u>	<u>(1,500)</u>
At 31 December	<u><u>7,595</u></u>	<u><u>8,417</u></u>

### 22. Other non-current assets

	2020 HK\$'000	2019 HK\$'000
Amount due from an investee company	11,440	10,475
Less: Provision for impairment losses (Note)	<u>(11,440)</u>	<u>(10,475)</u>
	<u><u>–</u></u>	<u><u>–</u></u>

Note:

Movements in provision for impairment losses are as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	10,475	10,749
Impairment loss/(write back)	<u>965</u>	<u>(274)</u>
At 31 December	<u><u>11,440</u></u>	<u><u>10,475</u></u>

Amount due from an investee company is unsecured, non-interest bearing with no fixed term of repayment. Impairment loss on amount due from an investee company of HK\$965,000 has been provided for the year due to exchange differences.

## Notes to the Consolidated Financial Statements (Cont'd)

### 23. Financial assets at fair value through profit or loss

	2020 HK\$'000	2019 HK\$'000
Listed equity securities, at market value		
Overseas	177,792	–
Call option	–	48,021
	<u>177,792</u>	<u>48,021</u>

Details of financial assets at fair value through profit or loss are as follows:

Listed company	Place of incorporation	Class of shares	Percentage of equity interest held
IGB Berhad	Malaysia	Ordinary shares of RM1 each	4.06% (2019: 1.6%)

Call option was related to ordinary shares of PureCircle Limited of which the trading was suspended on 28 October 2019. The carrying amount of the call option was estimated by reference to the latest available market price at 28 October 2019 of shares of PureCircle Limited.

### 24. Derivative financial instruments

	2020 HK\$'000	2019 HK\$'000
Equity swaps	(92)	11,276

### 25. Other assets

	2020 HK\$'000	2019 HK\$'000
Club debenture, at cost	295	295

## Notes to the Consolidated Financial Statements (Cont'd)

### 26. Accounts receivable, deposits and prepayments

	2020 HK\$'000	2019 HK\$'000
Other receivable and deposits	510	683
Prepayments	145	160
	<u>655</u>	<u>843</u>

No ageing analysis has been prepared as there was no trade receivable at 31 December 2020 (2019: Nil).

### 27. Bank borrowings

	2020 HK\$'000	2019 HK\$'000
Secured bank overdrafts	–	3,603
Secured bank loans	88,342	98,281
Secured bank loans subject to a repayment on demand clause	77,375	118,504
	<u>165,717</u>	<u>220,388</u>
Less: Current portion	(77,375)	(220,388)
	<u>88,342</u>	<u>–</u>

Repayments of bank loans and overdrafts based on the scheduled repayment dates set out in the loan agreements are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	64,191	206,359
After one year but within two years	803	652
After two years but within five years	90,822	2,053
After five years	9,901	11,324
	<u>165,717</u>	<u>220,388</u>

The effective interest rates range from 2.09% per annum to 4.36% per annum (2019: range from 2.45% per annum to 5.44% per annum).

## Notes to the Consolidated Financial Statements (Cont'd)

### 28. Accounts payable, deposits and accruals

	2020 HK\$'000	2019 HK\$'000
Accounts payable, deposits and accruals	<u>2,201</u>	<u>2,801</u>

No ageing analysis has been prepared as there was no trade payable at 31 December 2020 (2019: Nil).

### 29. Other payable

	2020 HK\$'000	2019 HK\$'000
Amount due to investee company	<u>348</u>	<u>348</u>

Amount due to investee company is unsecured, non-interest bearing and with no fixed term of repayment.

### 30. Share capital

	2020		2019	
	Number of shares (‘000)	HK\$'000	Number of shares (‘000)	HK\$'000
Issued and fully paid At 31 December	<u>146,781</u>	<u>717,808</u>	<u>146,781</u>	<u>717,808</u>

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the year.

## Notes to the Consolidated Financial Statements (Cont'd)

### 31. Reserves

	2020 HK\$'000	2019 HK\$'000
Investment revaluation reserve	(2,735)	(1,913)
Translation reserve	10,953	11,774
Property revaluation reserve	15,999	15,999
(Accumulated losses)/retained profits	<u>(418,822)</u>	<u>27,612</u>
	<u>(394,605)</u>	<u>53,472</u>

The movements of the Group's reserves for the years ended 31 December 2020 and 31 December 2019 are presented in the consolidated statement of changes in equity on page 43.

Investment revaluation reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policy of financial assets as set out in note 4(h) to the consolidated financial statements.

Translation reserve is dealt with in accordance with the accounting policy of foreign currencies as set out in note 4(r) to the consolidated financial statements.

Property revaluation reserve represents gain on revaluation of properties at the date of transfer from property, plant and equipment to investment properties.

## Notes to the Consolidated Financial Statements (Cont'd)

### 32. Notes to consolidated statement of cash flows

(a) Reconciliation of loss before tax to net cash used in operating activities is set out below:

	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities		
Loss before tax	(446,492)	(481,609)
Adjustments for:		
Depreciation	646	678
Amortisation of leasehold land	16	74
Share of results of associates	1,772	53
Net loss/(gain) on financial assets at fair value through profit or loss – listed investments	319,316	(10,438)
Net gain on financial assets of fair value through profit or loss – unlisted investments	(9,118)	–
Unrealised loss on financial assets at fair value through profit or loss – listed investments	48,881	455,043
Unrealised loss/(gain) on derivative financial instruments	92	(6,661)
Unrealised loss on financial assets at fair value through profit or loss – unlisted investments	53,632	–
Impairment loss/(write back) on amount due from an investee company	965	(274)
Impairment loss of construction in progress	–	6,906
Impairment loss of freehold land	3,815	–
Net gain on disposal of property, plant and equipment	(220)	–
(Gain)/loss on revaluation of investment properties	(5,000)	1,000
Unrealised exchange gain	(965)	(605)
Finance costs	8,456	20,365
Interest income	(69)	(250)
Dividend income	(4,307)	(7,808)
	<hr/>	<hr/>
Operating loss before working capital changes	(28,580)	(23,526)
Decrease in financial assets at fair value through profit or loss – unlisted investments	–	634
Decrease/(increase) in derivative financial instruments	11,276	(4,615)
Decrease/(increase) in accounts receivable, deposits and prepayments	188	(457)
Decrease in accounts payable, deposits and accruals	(289)	(1,039)
	<hr/>	<hr/>
Cash used in operations	(17,405)	(29,003)
Dividends received	4,307	7,808
Interest received	69	250
Finance costs paid	(8,704)	(20,272)
Overseas tax paid	(48)	(40)
	<hr/>	<hr/>
Net cash used in operating activities	<u>(21,781)</u>	<u>(41,257)</u>



## Notes to the Consolidated Financial Statements (Cont'd)

### 32. Notes to consolidated statement of cash flows (Cont'd)

#### (b) Reconciliation of liabilities arising from financing activities

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

	Dividends payable (included in accounts payable, deposits and accruals)	Bank loans	Total liabilities from financing activities
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	343	430,119	430,462
Changes from financing cash flows:			
Repayment of bank loans	–	(213,384)	(213,384)
Dividends paid	(3,669)	–	(3,669)
Total changes from financing cash flows	(3,669)	(213,384)	(217,053)
Exchanges differences	–	50	50
Other changes:			
Dividends declared	3,670	–	3,670
Unclaimed dividend forfeited	(19)	–	(19)
Total other changes	3,651	–	3,651
At 31 December 2019	325	216,785	217,110
Changes from financing cash flows:			
Repayment of bank loans	–	(51,882)	(51,882)
Total changes from financing cash flows	–	(51,882)	(51,882)
Exchanges differences	–	814	814
Other changes:			
Unclaimed dividend forfeited	(63)	–	(63)
Total other changes	(63)	–	(63)
At 31 December 2020	262	165,717	165,979

## Notes to the Consolidated Financial Statements (Cont'd)

### 32. Notes to consolidated statement of cash flows (Cont'd)

#### (c) Non-cash transactions

During the year, the call option of HK\$48,021,000 was converted into ordinary shares of PureCircle Limited and transferred to financial assets at fair value through profit or loss – listed investments.

During the year, preference share of IGB Berhad of HK\$156,740,000 were converted into ordinary shares of IGB Berhad.

### 33. Pledge of assets

The Group pledged its leasehold land, buildings and investment properties, certain financial assets at fair value through profit or loss and bank deposits with a total net book value of approximately HK\$253,000,000 (2019: HK\$867,000,000) as security for banking facilities extended to the Group.

### 34. Financial risk management and fair values

Exposure to credit, currency, price, interest rate and liquidity risks arises in the normal course of the Group's business. These risks are limited by the Group's financial policies and practices described below:

#### (a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, amounts due from associates and an investee company, other receivable and deposits. Credit risk on bank deposits is limited because the counterparties are reputable banks with high credit ratings. Based on the Group's assessment, the ECLs on bank deposits are considered to be insignificant. The Group regularly monitors the business performance of the associates and investee company. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate the relevant activities of these entities. The Directors believe that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. For the year ended 31 December 2020 and 2019, the Group assessed the ECLs for other receivables and deposits were insignificant and thus no loss allowance was recognised. All the ECLs provided for amounts due from associates and investee company are lifetime ECLs because the amounts are considered as credit-impaired.

## Notes to the Consolidated Financial Statements (Cont'd)

### 34. Financial risk management and fair values (Cont'd)

#### (b) Currency risk

The Group is exposed to currency risk on the following financial instruments denominated in Malaysian Ringgit, British Pound, Euro and United States dollars (“USD”). As USD are pegged to Hong Kong dollars (“HKD”), the Directors do not expect any significant movements in USD/HKD exchange rate. The management manages and monitors the exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### 2020

	Malaysian Ringgit HK\$'000	British Pound HK\$'000	Euro HK\$'000	United States dollars HK\$'000	Total HK\$'000
Amount due from an investee company	-	-	-	-	-
Time deposits and bank balances	89	-	-	-	89
	<u>89</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>

#### 2019

	Malaysian Ringgit HK\$'000	British Pound HK\$'000	Euro HK\$'000	United States dollars HK\$'000	Total HK\$'000
Amount due from an investee company	-	-	-	-	-
Other receivable and deposits	-	98	-	-	98
Time deposits and bank balances	261	1	-	1,190	1,452
Bank borrowings	-	-	-	(35,440)	(35,440)
Accounts payable and accruals	-	-	-	(150)	(150)
	<u>261</u>	<u>99</u>	<u>-</u>	<u>(34,400)</u>	<u>(34,040)</u>

At 31 December 2020, if the foreign currencies had strengthened/weakened 10% against the functional currency of the entity to which they relate with all other variables held constant, the potential effects on loss after tax and components of equity are as follows:

	2020 HK\$'000	2019 HK\$'000
Decrease/increase in loss after tax and accumulated losses (2019: decrease/increase in loss after tax and increase/decrease in retained profits)	<u>9</u>	<u>36</u>

The 10% increase/decrease represents management’s assessment of the likely maximum change in exchange rates over the period until the end of next annual reporting period.

## Notes to the Consolidated Financial Statements (Cont'd)

### 34. Financial risk management and fair values (Cont'd)

#### (c) Price risk

The following financial instruments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

	2020 HK\$'000	2019 HK\$'000
Derivative financial instruments	(92)	11,276
Financial assets at fair value through profit or loss	177,097	806,120
Financial assets at fair value through other comprehensive income	7,595	8,417
Financial assets at fair value through profit or loss	<u>177,792</u>	<u>48,021</u>
	<u>362,392</u>	<u>873,834</u>

At 31 December 2020, if the security or underlying securities price had increased/decreased 10% with all other variables held constant, the potential effects on loss after tax and components of equity are as follows:

	2020 HK\$'000	2019 HK\$'000
Decrease/increase in loss after tax and accumulated losses (2019: decrease/increase in loss after tax and increase/decrease in retained profits)	<u>35,989</u>	<u>86,542</u>
Increase/decrease in investment revaluation reserve	<u>760</u>	<u>842</u>

The 10% increase/decrease represents management's assessment of the likely maximum change in security price over the period until the end of next annual reporting period.

The Group has significant concentration of risk on two investments (2019: three investments) of which HK\$177,792,000 (2019: HK\$560,632,000) is the most significant investment.

#### (d) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group's policy is to obtain the most favourable interest rates available for its financial instruments. The following financial instruments are exposed to interest rate risk.

	2020 HK\$'000	2019 HK\$'000
Time deposits and bank balances	14,463	3,286
Bank borrowings	<u>(165,717)</u>	<u>(220,388)</u>
	<u>(151,254)</u>	<u>(217,102)</u>

## Notes to the Consolidated Financial Statements (Cont'd)

### 34. Financial risk management and fair values (Cont'd)

#### (d) Interest rate risk (Cont'd)

Bank borrowings were variable rate borrowings. The interest rates were 1.5% above the bank's cost of fund per annum and 1.25% to 2.7% above HIBOR per annum.

At 31 December 2020, if the interest rate had increased/decreased by 25 basis points with all other variables held constant, the potential effects on loss after tax and components of equity are as follows:

	2020 HK\$'000	2019 HK\$'000
Increase/decrease in loss after tax and accumulated losses (2019: increase/decrease in loss after tax and decrease/increase in retained profits)	<u>378</u>	<u>543</u>

The 25 basis points increase/decrease represents management's assessment of the likely maximum change in interest rates over the period until the end of next annual reporting period.

#### (e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. Maturities of the financial liabilities of the Group based on the earliest period in which the Group is required to pay are as follows:

	2020 HK\$'000	2019 HK\$'000
Carrying amounts		
Non-derivative financial liabilities		
Bank overdrafts	–	3,603
Bank loans	88,342	98,281
Bank loans subject to a repayment on demand clause	77,375	118,504
Accounts payable, deposits and accruals	2,201	2,801
Other payable	<u>348</u>	<u>348</u>
	<u>168,266</u>	<u>223,537</u>
Derivative financial liabilities		
Equity swaps	<u>92</u>	<u>–</u>
Within one year	80,016	223,537
After two year but within five years	<u>88,342</u>	<u>–</u>
	<u>168,358</u>	<u>223,537</u>

## Notes to the Consolidated Financial Statements (Cont'd)

### 34. Financial risk management and fair values (Cont'd)

#### (e) Liquidity risk (Cont'd)

The carrying amounts of the above financial liabilities are same as their contractual undiscounted cash flows and repayable within one year except for bank loans and overdrafts as below:

Maturities of bank loans and overdrafts of the Group based on the scheduled repayment dates set out in the loan agreements are as follows:

	2020 HK\$'000	2019 HK\$'000
Contractual undiscounted cash flows		
Within one year	69,968	206,712
After one year but within two years	4,743	988
After two years but within five years	100,527	2,964
After five years	10,869	13,309
	<u>186,107</u>	<u>223,973</u>

#### (f) Fair values

The Directors have considered that the carrying amounts of all financial assets and liabilities, other than those disclosed in notes 20 and 23 to the consolidated financial statements, approximate their fair values at 31 December 2020 and 31 December 2019.

The following table sets out the carrying value of financial instruments measured at fair value at 31 December 2020 and 31 December 2019 using the three-level hierarchy as defined in HKFRS 13.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable inputs for the asset or liability.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<u>2020</u>				
Recurring fair value measurement				
Assets/(liabilities)				
Derivative financial instruments	-	(92)	-	(92)
Financial assets at fair value through profit or loss	177,792	-	177,097	354,889
Financial assets at fair value through other comprehensive income	-	-	7,595	7,595
	<u>177,792</u>	<u>(92)</u>	<u>184,692</u>	<u>362,392</u>
<u>2019</u>				
Recurring fair value measurement				
Assets				
Derivative financial instruments	-	11,276	-	11,276
Financial assets at fair value through profit or loss (other than market value of investment in PureCircle Limited as disclosed in note 20)	245,488	-	-	245,488
Financial assets at fair value through other comprehensive income	-	-	8,417	8,417
	<u>245,488</u>	<u>11,276</u>	<u>8,417</u>	<u>265,181</u>

## Notes to the Consolidated Financial Statements (Cont'd)

### 34. Financial risk management and fair values (Cont'd)

#### (f) Fair values (Cont'd)

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

The fair value of derivative financial instruments in Level 2 was quoted price determined by financial institution or fund manager.

The fair value of financial assets at fair value through profit or loss in level 3 was assessed by Directors as disclosed in note 20. Increase/decrease in net assets value would have increased/decreased the fair value.

The fair value of financial assets at fair value through other comprehensive income in Level 3 was assessed with reference to market comparables by AP Appraisal Limited, independent professional qualified valuers. The unobservable inputs are the price/earnings ratio (range from 11.17 to 28.85) (2019: range from 7.35 to 7.57) and price/books ratio (range from 0.31 to 0.84) (2019: range from 0.42 to 0.70). Increase/decrease in price/earnings ratio or price/book ratio would have increased/decreased the fair value. The movements of Level 3 fair value measurement are disclosed in note 21.

### 35. Capital management

The Group's objectives when managing capital are:

- (a) to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (b) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. During the year, the Group's strategy was unchanged. The debt-to-equity ratios for the years 2020 and 2019 are as follows:

	2020 HK\$'000	2019 HK\$'000
Total liabilities	168,358	223,550
Total debt	168,358	223,550
Total equity	323,203	771,280
Debt-to-equity ratio	0.52	0.29

The increase is due to decrease in equity.

## Notes to the Consolidated Financial Statements (Cont'd)

### 36. Related party transactions

On 9 June 2020, Wang Tak Company Limited, wholly owned subsidiary of the Company entered into an agreement for sale and purchase of shares in Ingredion SRSS Holdings Limited (“Agreement”) with purchasers. The purchasers were Mr. Tan Boon Seng, the Managing Director and controlling shareholder of the Company, Mr. Tan Boon Lee, brother of the Mr. Tan Boon Seng, and Ms. Tan Lei Cheng, sister of the Mr. Tan Boon Seng. Pursuant to the Agreement, Wang Tak Company Limited agreed to sell 1,500,000 B ordinary shares, 500,000 B ordinary shares and 500,000 B ordinary shares of Ingredion SRSS Holdings Limited to Mr. Tan Boon Seng, Mr. Tan Boon Lee and Ms. Tan Lei Cheng respectively, at consideration of 100 pence per B ordinary share, and in aggregate of HK\$24,815,000. The transactions constitute connected transactions under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In addition to those disclosed in the consolidated financial statements, the Group had no material transactions with related parties during the year.

### 37. Retirement scheme

All the employees of the Group are members of the Mandatory Provident Fund Scheme. Under the Mandatory Provident Fund Scheme, the Group and its employees each made contributions to the scheme calculated at 5% of the employees’ relevant income on a monthly basis. The amount of contributions recognised in profit or loss for the year was HK\$443,000 (2019: HK\$452,000).

### 38. Leases

As Lessor

The Group leases its investment properties under operating lease arrangements, and the term of the lease is two years.

At 31 December 2020 and 31 December 2019, the Group had undiscounted lease rental receivable under non-cancellable operating lease as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	900	440
After 1 year but within 2 years	150	–
	<u>1,050</u>	<u>440</u>

### 39. Capital commitments

	2020 HK\$'000	2019 HK\$'000
Construction in progress		
Contracted but not provided for	–	7,131
	<u>–</u>	<u>7,131</u>



## Notes to the Consolidated Financial Statements (Cont'd)

### 40. Company statement of financial position

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Subsidiaries	307,364	713,624
Associates	—	—
	<u>                    </u>	<u>                    </u>
	307,364	713,624
	-----	-----
Current assets		
Accounts receivable, deposits and prepayments	145	145
Bank balances	49	46
	<u>                    </u>	<u>                    </u>
	194	191
Current liabilities		
Accounts payable, deposits and accruals	1,211	1,309
	<u>                    </u>	<u>                    </u>
Net current liabilities	(1,017)	(1,118)
	-----	-----
Net assets	306,347	712,506
	<u>                    </u>	<u>                    </u>
Equity		
Share capital	717,808	717,808
Reserves (Note)	(411,461)	(5,302)
	<u>                    </u>	<u>                    </u>
Total equity	306,347	712,506
	<u>                    </u>	<u>                    </u>

**Tan Boon Seng**  
Director

**Chan Kai Kwok**  
Director

## Notes to the Consolidated Financial Statements (Cont'd)

### 40. Company statement of financial position (Cont'd)

Note:

	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2019	521,512	521,512
Loss for the year	(523,163)	(523,163)
Dividends	(3,670)	(3,670)
Unclaimed dividend forfeited	19	19
	<hr/>	<hr/>
At 31 December 2019	(5,302)	(5,302)
Loss for the year	(406,222)	(406,222)
Unclaimed dividend forfeited	63	63
	<hr/>	<hr/>
At 31 December 2020	<u>(411,461)</u>	<u>(411,461)</u>

At 31 December 2020, the reserves of the Company available for distribution to shareholders, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, amounted to HK\$Nil (2019: HK\$Nil).

### 41. Events after the reporting period

The Group's banking facilities have been renewed of which HK\$58,400,000 will be matured in January 2022.

The outbreak of novel coronavirus (COVID-19) continues to spread across the world.

The COVID-19 has impact on the business operations of the Group and investment market and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

On 5 March 2021, the Company received a letter from The Stock Exchange of Hong Kong Limited notifying the Company of its decision that the Company has failed to maintain a sufficient level of operations and assets of sufficient value to support its operation under Rule 13.24 and the trading of the Company's share was suspended on 17 March 2021. Details of which are mentioned in the announcements dated 5 March 2021 and 16 March 2021.

### 42. Approval of consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 13 April 2021.

## Five Year Financial Summary

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue and income	<u>17,024</u>	<u>20,160</u>	<u>13,361</u>	<u>8,931</u>	<u>66,580</u>
Loss attributable to owners of the Company	<u>(446,497)</u>	<u>(481,656)</u>	<u>(1,193,974)</u>	<u>(36,765)</u>	<u>(515,896)</u>
Dividends	<u>–</u>	<u>–</u>	<u>11,009</u>	<u>14,699</u>	<u>14,726</u>
Non-current assets	296,476	927,192	1,647,899	2,894,357	1,594,645
Current assets	<u>195,085</u>	<u>67,638</u>	<u>30,586</u>	<u>16,936</u>	<u>33,145</u>
Total assets	491,561	994,830	1,678,485	2,911,293	1,627,790
Current liabilities	<u>80,016</u>	<u>223,550</u>	<u>288,956</u>	<u>232,427</u>	<u>235,392</u>
Total assets less current liabilities	411,545	771,280	1,389,529	2,678,866	1,392,398
Non-current liabilities	<u>88,342</u>	<u>–</u>	<u>150,003</u>	<u>229,067</u>	<u>156,881</u>
Net assets	<u>323,203</u>	<u>771,280</u>	<u>1,239,526</u>	<u>2,449,799</u>	<u>1,235,517</u>
Equity					
Share capital	717,808	717,808	717,808	717,808	717,808
Reserves	<u>(394,605)</u>	<u>53,472</u>	<u>521,718</u>	<u>1,731,991</u>	<u>517,709</u>
Total equity	<u>323,203</u>	<u>771,280</u>	<u>1,239,526</u>	<u>2,449,799</u>	<u>1,235,517</u>
Loss per share (HK cents)	<u>(304.19)</u>	<u>(328.15)</u>	<u>(813.42)</u>	<u>(24.99)</u>	<u>(350.30)</u>
Dividends per share (HK cents)	<u>–</u>	<u>–</u>	<u>7.50</u>	<u>10.00</u>	<u>10.00</u>