偉祿集團控股有限公司

REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1196

Annual Report 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Yu Leung Fai
Fang Jixin
Ho Chun Chung Patrick
(appointed on 8 March 2022)
Li Jue *(resigned on 15 September 2021)*

AUDIT COMMITTEE

Yu Leung Fai *(Chairman)*
Fang Jixin
Ho Chun Chung Patrick
(appointed on 8 March 2022)
Li Jue *(resigned on 15 September 2021)*

REMUNERATION COMMITTEE

Fang Jixin *(Chairman)*
(appointed on 15 September 2021)
Lin Xiaohui
Yu Leung Fai
Li Jue *(Chairman) (resigned on 15 September 2021)*

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Tsang Chin Pang
(appointed on 10 August 2021)
Chan Chu Kin *(resigned on 10 August 2021)*

LEGAL ADVISER

Michael Li & Co.
Debevoise & Plimpton
Holman Fenwick Willan

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited
11th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Chiyu Banking Corporation Ltd.
DBS Bank (Hong Kong) Limited
Guangdong Huaxing Bank
Guangzhou Rural Commercial Bank
Hang Seng Bank Limited
The Hong Kong & Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

STOCK CODE

1196

COMPANY WEBSITE

http://www.realord.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleasured to present the annual report of Realord Group Holdings Limited (the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2021 ("FY2021").

RESULTS

For the year ended 31 December 2021, the Group recorded a total revenue of approximately HK$1,195.1 million, representing an increase of approximately 37.5% as compare to that of the year ended 31 December 2020 ("FY2020") of approximately HK$869.3 million. Gross profit increased by around 35.7% year-on-year to approximately HK$272.8 million (FY2020: approximately HK$201.1 million). The Group recorded a net profit of approximately HK$115.9 million in FY2021, which represented a decrease of approximately 87.0% as compared to a net profit of approximately HK$892.3 million in FY2020. Based on the weighted average of 1,438,485,222 shares in issue during the year, basic earnings per share was HK8.49 cents (FY2020: basic earnings per share of HK61.55 cents).

In May 2021, the Group completed the acquisition of The Sincere Company, Limited ("Sincere") (stock code: 244). The results of Sincere were consolidated into the financial statements of the Group and reported as department store segment since then. An operating loss of approximately HK$19.2 million from the department store segment was recorded by the Group for FY2021.

The net profit attributable to the Shareholders for FY2021 included a fair value gain (net of deferred tax expenses) of approximately HK$955.5 million as resulted from fair value change of the Group's investment properties whereas the corresponding gain in FY2020 was approximately HK$1,905.3 million. It is further noted that the FY2021 results included a net exchange loss of the Group as resulted from the translation of the Group's assets and liabilities denominated in Renminbi into Hong Kong dollars of approximately HK$139.0 million (FY2020: approximately HK$318.6 million).

DIVIDENDS

The Directors do not recommend the payment of interim and final dividend (FY2020: Nil) for the year ended 31 December 2021. Total dividend for the year is nil (FY2020: Nil).

CORPORATE STRATEGY AND BUSINESS PLAN FOR THE CARIBBEAN AND LATIN AMERICAN MARKETS

Regarding the corporate strategy and business plan for the Caribbean and Latin American markets, the Group is keen to leverage its experience in the development of a project consisting educational facilities, apartments for student, hotel and resort facilities, commercial development and shopping facilities and in a longer plan university establishment(s) and related amenities in Grenada (the "Grenada Project") to explore further investment opportunities around the Caribbean economic zone and Latin American region. The Group has further targeted to invest in four other Caribbean countries, namely Antigua and Barbuda, Saint Lucia, Saint Kitts and Nevis, and Dominica. These four countries, together with Grenada (altogether, the "Designated Caribbean Countries"). The Group has identified four investment propositions to collaborate with the respective local governments to accelerate economic development of each country. These four areas include (i) the clean energy sector; (ii) the education sector; (iii) the tourism sector; and (iv) the retail sector.

It is the Group's strategy to seek for professional investors to jointly invest in the projects in the Designated Caribbean Countries and the Republic of Panama. Further, the Group is identifying capable and competent business partners with significant track record to participate in the projects. Subject to the planning and the feasibility studies of the projects as well as the requisite approval by the respective local government, it is expected that the Group would kick off the projects in the Designated Caribbean Countries and the Republic of Panama in 2022 and 2023.

The Group will continue to develop the business plans and identify new potential investment opportunities in other sectors, including but not limited to the banking and insurance sector, the desalination of sea water and sewage treatment sector, the general aviation and marine passenger transport sector, the infrastructure engineering sector, the international commodity trading sector, the mineral resources exploration sector and the offshore oil and gas exploitation sector in the Caribbean and Latin American region for the purpose of maximising the benefits and return to the shareholders.

APPRECIATION

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

By Order of the Board
Lin Xiaohui
Chairman

Hong Kong, 31 March 2022

NANSHAN DISTRICT

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

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

LONGHUA DISTRICT

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

Guanzhang Electronic Factory Urban Renewal Project, which is situated at Fucheng Jie Dao, Longhua District, Shenzhen, is a residential project being implemented and developed by the Group in Longhua District. The project is an affordable commodity housing project (residential/commercial) with gross floor area of approximately 112,000 square meters of which land use was changed from industrial use to residential use. It is proximate to the Zhucun Station (竹村站) of the northern extension of Shenzhen Metro Line 4 which is under construction, therefore it is expected to be benefited from the urban renewal in Longhua District.

3. Realord Villas (偉祿雅苑) – Sincere Mall (先施購物中心) (previously named as "Realord Mall (偉祿購物中心)")

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

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

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

GUANGMING DISTRICT

5. Realord Technology Park (偉祿科技園)

Realord Technology Park Project is located at Guangming Jie Dao, Guangming District, Shenzhen, occupying a site area of approximately 20,000 square meters. Phase I and Phase II of the project consists of office and apartment buildings with a gross floor area of approximately 81,000 square meters. It is proximate to the Fenghuang Town Station (鳳凰城站) of Shenzhen Metro Line 6. In light of the trend of developing high-end industries and the fact that Guangming District is being developed as a regional innovation hub in Shenzhen, and in order to seize the opportunities brought about by the development of high-tech industry, the Group intends to position the park as an integrated venture capital platform incubating innovative enterprises.

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

OVERALL FINANCIAL REVIEW

For the year ended 31 December 2021, the Group recorded a total revenue of approximately HK$1,195.1 million, representing an increase of approximately 37.5% as compare to that of the year ended 31 December 2020 of approximately HK$869.3 million. The Group recorded a net profit of approximately HK$115.9 million in FY2021, which represented a decrease of approximately 87.0% as compared to a net profit of approximately HK$892.3 million in FY2020.

Revenue

The Group's revenue in FY2021 was mainly contributed by the EP Segment, the MVP Segment, the Financial Services Segment and the Department Store Segment which represented approximately 56.3%, 18.1%, 11.9% and 8.0% of the total revenue of the Group, respectively. The remaining revenue of the Group was contributed by the Commercial Printing Segment of approximately 4.9% and the Property Segment of approximately 0.8% respectively. The revenue of the Hangtag Segment was minimal to the Group. The increase in Group's revenue in FY2021 as compared to that of FY2020 approximately amounted to HK$325.8 million. The EP Segment, the MVP Segment, the Financial Services Segment and the Department Store Segment contributed the increase of revenue approximately amounted to HK$128.8 million, HK$56.9 million, HK$60.5 million and HK$95.0 million respectively. Reasons for the changes in the relevant segment revenues are set out in the sections below.

Other income

Other income increased by HK$10.0 million in FY2021 as compared to that of FY2020. The increase of other income was arising from imputed interest income on gift receivable from Win Dynamic Limited ("Win Dynamic") of HK$9.3 million and claim for legal case in respect of Qiankeng Property of HK$13.9 million, which was partially offset by the decrease of bank interest income of HK$10.6 million.

Other gains and losses

Other gains and losses mainly represented net foreign exchange loss and revaluation surplus or deficit on property, plant and equipment. Other gains and losses decreased by HK$226.0 million as compared to that of FY2020. Decrease was arising from decrease in net foreign exchange loss by HK$179.6 million and the turnaround from revaluation deficit on property, plant and equipment of HK$23.4 million in FY2020 to revaluation surplus on property, plant and equipment of HK$23.4 million in FY2021. For decrease in net foreign exchange loss, it was resulted from the translation of the Group's assets and liabilities denominated in Renminbi into Hong Kong dollars. For turnaround of revaluation on property, plant and equipment, it was resulted from the recovery in the residential property market in Hong Kong.

The Group invested in listed securities in Hong Kong and other club and school debentures in Hong Kong for investment purpose. As at 31 December 2021, the financial assets at fair value through profit or loss amounted to approximately HK$81.2 million (31 December 2020: HK$15.3 million). In FY2021, the total net unrealised fair value loss and total net realised gain on the disposal of financial assets at fair value through profit and loss amounted to approximately HK$3.0 million (FY2020: HK$4.4 million) and HK$0.6 million (FY2020: HK$2.8 million), respectively.

Impairment losses, net

In FY2021, the impairment losses, net represented the increase in expect credit losses of trade receivables and other receivables approximately HK$9.1 million and HK$0.4 million, which was offset by the decrease in expect credit losses of loan receivables and receivables arising from securities broking approximately HK$4.1 million and HK$1.8 million respectively. The impairment losses, net decreased by HK$23.6 million was mainly arising from loan receivables from money lending business since there was initial recognition of HK$20.6 million in FY2020 and a reversal of HK$4.1 million in FY2021 due to the improvement of credit risk factors.

Gain on fair value changes of investment properties, net

Gain on fair value changes of investment properties, net decreased by HK$1,198.2 million in FY2021 as compared to that of FY2020. In FY2021, the gain on fair value changes of investment properties was mainly resulted from Realord Technology Park since the Group obtained the permit from relevant government authorities in respect of the increase in construction scale of Phase II in August 2021. In FY2020, the gain on fair value changes of investment properties was mainly resulted from Qiankeng Property of which the approval in principle in respect of the proposed urban redevelopment plan thereon involving a change in land use from industrial to residential use was granted by the relevant government authority in August 2020.

Selling and distribution expenses

Selling and distribution expenses increased by HK$57.3 million which was mainly arising from the consolidation of business development expenses, staff costs and depreciation of right-of-use assets for the retail shops upon the completion of acquisition of Sincere during the FY2021.

Administrative expenses

Administrative expenses mainly represented staff costs, depreciation of right-of-use assets and legal and professional fee. Administrative expenses increased by HK$31.9 million which was mainly arising from the consolidation of administrative expenses approximately HK$28.0 million upon the completion of acquisition of the Sincere during the FY2021.

Finance costs

Finance costs mainly represented interest on bank borrowings and overdrafts and interest on loan from ultimate holding company. The increase of interest on bank borrowings and overdrafts approximately HK$75.4 million was arising from the increase in bank borrowings from HK$10.1 billion in FY2020 to HK$10.5 billion in FY2021.

Net profit

The Group's net profit was approximately HK$115.9 million in FY2021, representing a decrease of approximately HK$776.4 million, as compared to the Group's net profit of approximately HK$892.3 million in FY2020. The decrease of net profit included a fair value gain (net of deferred tax expenses) of approximately HK$955.5 million resulted from fair value change of the Group's investment properties in FY2021 whereas the corresponding gain in FY2020 was approximately HK$1,905.3 million. The decrease of net profit was offset by a reduction of net exchange loss of the Group as resulted from the translation of the Group's assets and liabilities denominated in Renminbi into Hong Kong dollars of approximately HK$139.0 million for FY2021 (FY2020: HK$318.6 million). Upon the completion of acquisition of Sincere in May 2021, the operating loss of approximately HK$19.2 million was recorded by the Group for FY2021.

FINANCIAL REVIEW OF EACH SEGMENT

Property Segment

The revenue of the Property Segment was mainly derived from the rental income of the Group's investment properties. The Group generated rental income of approximately HK$9.9 million in FY2021 (FY2020: HK$10.9 million). Since January 2021, there was no rental income from Qiankeng Property (FY2020: approximately HK$2.5 million) as the Group has commenced the demolition of Qiankeng Property in May 2021. The aforesaid effect was partially offsetted by the increase of rental income from Sincere Mall due to the increase in number of tenants of shopping mall.

The Property Segment generated a segment profit of approximately HK$792.3 million in FY2021, representing a decrease of approximately HK$1,258.5 million or 61.4% as compared to that in FY2020. The decrease was mainly attributable to a decrease in net gain on fair value changes of investment properties from approximately HK$2,463.4 million in FY2020 to approximately HK$1,265.3 million in FY2021. Reasons for the changes are set out in "Gain on fair value changes of investment properties, net" above.

The Financial Services Segment

The Financial Services Segment generated a revenue of approximately HK$142.6 million in FY2021, which increased by approximately HK$60.5 million or 73.7% as compared to that of approximately HK$82.1 million in FY2020. The segment recorded a segment profit of approximately HK$45.9 million in FY2021 as compared to approximately HK$6.1 million in FY2020. The growth of both revenue and segment profit of the Financial Services Segment was mainly attributable to increase in services provided to its customers, including placing services and underwriting services for certain initial public offering ("IPO") projects as well as the increase in margin interest income, margin financing services and interest from the money lending. Furthermore, the segment profit was improved by the reversal of impairment losses of approximately HK$4.1 million on loan receivables in FY2021 (FY2020: initial recognition of impairment loss of approximately HK$20.6 million).

The EP Segment

With the increased scale and established suppliers' network of Realord Environmental Protection Japan Co., Ltd. ("Realord EP Japan") during FY2021, the EP Segment generated revenue of approximately HK$672.8 million, representing an increase of approximately 23.7% as compared to approximately HK$544.1 million in FY2020. However, the segment profit for the EP Segment in FY2021 decreased by approximately 27.7% to approximately HK$9.4 million from that of approximately HK$13.0 million in FY2020. The decrease in segment profit was mainly attributable to the lower of gross profit margin and increased credit risk of long outstanding trade receivables.

The MVP Segment

The revenue of the MVP Segment increased by approximately 35.7% in FY2021 to approximately HK$216.2 million (FY2020: HK$159.3 million). During the difficult time of COVID-19 pandemic, the Group not only maintained a stable source of supply of motor vehicle parts, but also increased its sales to major customers. The segment profit increased from approximately HK$6.4 million in FY2020 to approximately HK$8.7 million in FY2021.

The Commercial Printing Segment

The uncertain business environment caused by the outbreak of COVID-19 epidemic in FY2021 has adversely affected the capital market sentiment, and hence reduced the demand for our services. As such, the revenue from the Commercial Printing Segment decreased by approximately 19.8% to approximately HK$58.3 million in FY2021 (FY2020: HK$72.7 million). The Commercial Printing Segment recorded a segment loss of approximately HK$4.1 million (FY2020: segment profit of approximately HK$0.4 million) which the result of FY2020 of the Commercial Printing Segment had benefited by the Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong Government in FY2021, the results of FY2021 for this segment was short of such government subsidy.

The Hangtag Segment

The revenue of the Hangtag Segment amounted to approximately HK$0.2 million in FY2021 (FY2020: HK$0.2 million). The segment loss derived from this segment was relatively minimal during the periods of FY2021 and FY2020.

The Department Store Segment

The Department Store Segment generated a revenue of approximately HK$95.0 million from its operation of department stores since the completion of acquisition in May 2021, representing approximately 8.0% of the Group's total revenue in FY2021. The Department Store Segment recorded a segment loss of approximately HK$19.2 million in FY2021 due to the persistence impact of COVID-19 pandemic adversely affecting performance of department store operation.

Liquidity, financial resources and capital structure

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities and facility provided by the ultimate holding company. The Group is financially sound with healthy cash position. The Group's cash and bank balances as at 31 December 2021 amounted to approximately HK$229.6 million (31 December 2020: HK$1,268.3 million) which were mainly denominated in HK$ and RMB (31 December 2020: HK$ and RMB).

The gearing ratio of the Group as at 31 December 2021 was approximately 280.9% (31 December 2020: 309.6%), which is calculated based on the interest-bearing borrowings denominated in HK$ and RMB (31 December 2020: HK$ and RMB) of approximately HK$11,608.9 million (31 December 2020: HK$10,852.2 million) and divided by the equity attributable to owners of the Company of approximately HK$4,133.1 million (31 December 2020: HK$3,505.5 million). The interest bearing borrowings carried interest rate ranging from 2.15% to 7.60% per annum (31 December 2020: 2.15% to 7.60% per annum) with maturity ranging from within 1 year to 29 years (31 December 2020: within 1 year to 30 years).

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

Foreign exchange

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro, Japanese Yen and Renminbi. The reporting currency of the Group is Hong Kong dollars.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro, Japanese Yen and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and shall adopt financial hedging instruments for hedging purpose when necessary. The EP Segment of the Group has used foreign currency forward contract for hedging purpose during FY2021 and FY2020.

Financial guarantees and charges on assets

As at 31 December 2021, corporate guarantees amounting to approximately HK$10,096.4 million (31 December 2020: HK$9,860.2 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries while corporate guarantees amounting to approximately HK$9,405.2 million (31 December 2020: HK$9,655.0 million) was given to banks in the PRC by the Company for the provision of general banking facilities granted to its PRC subsidiaries. Besides, the general banking facilities granted to the subsidiaries of the Company were secured by legal charges on certain investment properties, leasehold land and buildings and properties under development owned by the Group with a total net book value of approximately HK$10,184.0 million (31 December 2020: HK$11,839.2 million), approximately HK$567.6 million (31 December 2020: HK$363.8 million) and approximately HK$3,229.1 million (31 December 2020: Nil) respectively. Meanwhile, corporate guarantees amounting to approximately HK$10,093.1 million (31 December 2020: HK$9,880.7 million) were given to banks by the directors and controlling shareholders of the Company for the provision of general banking facilities granted to its subsidiaries while corporate guarantees amounting to approximately HK$9.2 million (31 December 2020: HK$8.8 million) was given to banks in the PRC by the Company for the provision of general banking facilities granted to its PRC subsidiaries. In addition, the general banking facilities granted to the subsidiaries of the Company were secured by securities collateral pledged to the Group by margin clients with market value of HK$9,171,000 (31 December 2020: HK$9,529,000), the Group's marketable securities with an aggregate fair value of HK$3,432,000 (31 December 2020: Nil) and shares of two (31 December 2020: two) investment properties owing subsidiaries. Besides, certain bank borrowings were secured by the Group's bank balances of HK$154,000 (31 December 2020: Nil) and time deposits of HK$101,999,000 (31 December 2020: Nil).

BUSINESS REVIEW OF EACH SEGMENT

During the year ended 31 December 2021, the global economy and business performance did not recover as expected due to the continuous outbreak of COVID-19 pandemic. The global economy is influenced by the unstable international geopolitics and the expectation of raising interest rate. Simultaneously, the economy in China is affected by the strict regulation and supervision of various industries.

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

The Property Segment

The Group holds three investment property projects namely Realord Villas and Zhangkengjing Property in Longhua District, and Realord Technology Park in Guangming District in Shenzhen, the PRC. The Group also holds proposed development project and properties under development namely Laiying Garden in Nanshan District and Qiankeng Property in Longhua District respectively in Shenzhen, the PRC. There are five property projects on hand as at 31 December 2021 (31 December 2020: five).

During FY2021, there are various development progress on three property projects. Firstly, for Realord Villas, the Group completed renovation works of the business apartment building and the shopping mall "Sincere Mall" in December 2021. Upto the date of report, the number of tenants of shopping mall increased to 20 including children's amusement park and the Group entered into tenancy agreements with big catering groups and cinema. Secondly, for Realord Technology Park, the Group obtained the permit from relevant government authorities in respect of the increase in construction scale of Phase II in August 2021. The construction scale is increased from approximately 60,000 square meters to approximately 81,000 square meters. The development plan will be started once government approval is granted. Thirdly, for Qiankeng Property, the Group has been approved as the authorised developer by the related government authorities in January 2021. Selection of design and construction proposals has been carried out and demolition of the existing factory and infrastructures has been completed in May 2021. The Group obtained the permit from relevant government authorities in respect of the construction scale of approximately 112,000 square meters in November 2021. The redevelopment works will be commenced once permits are obtained from relevant government authorities.

The Finance Services Segment

The Group's development strategy is to build a one-stop financial services platform with competitive advantage on branding and market positioning in the Greater Bay Area. In FY2021, despite ongoing geopolitical issues, regulatory changes affecting several industries in the Mainland, including the new economy and education, the Hong Kong stock market has remained resilient through the coronavirus pandemic era. During FY2021, the Group's Financial Services Segment has seen a strong growth. In regard of primary market, the Group provided diversified services to its customers, such as placing agent and underwriting services as joint book runner of certain IPO projects as well as margin financing services. Revenue from placing agent and underwriting services has doubled in FY2021 compared with the same period in FY2020. In respect of the secondary market, trading volume in Hong Kong stock market hit a record high in FY2021, the Group achieved a stable development in securities transaction services, which has led to a year-on-year increase in brokerage fees. Meanwhile, strengthened margin financing services has resulted in higher interest income during the reporting period.

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

The EP Segment

In FY2021, the EP Segment remained to be the Group's major revenue contributor which was benefited from the sharp increase of copper price and the increased scale of Realord EP Japan. The increased scale can be referred to the lease agreement dated 2 November 2020 which the aggregate gross floor area of leased land in Osaka, Japan increased from approximately 16,000 square meters (3 pieces) to approximately 19,609 square meters (4 pieces). Although the revenue was increased, the net profit was washed away by the lower of gross profit margin and increased credit risk of long outstanding trade receivables due to the temporary suspension of business operation in PRC and Malaysia under the COVID-19 pandemic.

Due to the outbreak of Omicron epidemic, the Group changed its development strategy of EP business by discontinuing to seek for the development of a processing plant for smelting scrap materials. In addition, on 17 August 2021, Realord EP Japan served a notice to Tsugawa Metal Co., Ltd. ("Tsugawa Metal") to early terminate the service agreement in relation to the provision of technical services with effect from 1 September 2021 which is expected to be more cost efficient and allow more flexibility.

The MVP Segment

With the stable source of suppliers during the COVID-19 pandemic, the MVP business achieved a revenue growth because of increase in orders placed by customers. In order to maintain sustainable growth in business, the Group has to further strengthen its relationship with suppliers and explore new customer bases.

The Commercial Printing Segment and Hangtag Segment

The decrease in demand of commercial printing services and hangtag products was unavoidable during the COVID-19 pandemic. Though the Group has downsized its scale of operations in order to minimize the operating costs, these two segments still recorded segment losses in FY2021.

The Department Store Segment

The Group completed the acquisition of Sincere, which engaged in the operation of department stores, securities trading and the provision of general and life insurances, in May 2021. During FY2021, the performance of the Department Store Segment was continued affecting by the COVID-19 pandemic. The Group had adopted pro-active measures such as reducing operating expenses, negotiating rental concession and maintaining a healthy inventory level for improvement of financial results.

The Latin America and the Caribbean ("LAC") Segment

The CODM classified the LAC Segment as an operating segment on 31 December 2021 when the Group acquired a 70.5% equity interest ("Gift Interest") of Caribbean Education Industry Group Limited at nil consideration from Dr. Lin Xiaohui ("Dr. Lin"). The principal business of the Caribbean Education Group is the development of a project in Grenada (comprising 3 lots of land with admeasurement 450 acres situated at the Mt. Hartman area in the parish of Saint George). The Grenada Project involves the development of a mixed property project consisting educational facilities, apartments for student, residential properties, hotel and resort facilities, commercial development and shopping facilities and in a longer plan university establishment(s) and related amenities.

The Government of Grenada granted the Caribbean Education Group the "Approval Project Status" such that the Caribbean Education Group can develop the Grenada Project on foreign investors' funding in accordance with the local laws under Section 11 of the Grenada Citizenship by Investment Act 15 of 2013 and a citizenship by investment programme of Grenada ("CBI Programme"). Through the CBI Programme, the Caribbean Education Group is authorised to raise capital from investors of the Project for funding the construction and development costs. Qualified investors of the real properties will be granted permanent Grenadian citizenship and a passport offering visa-free travel to over 153 countries including the United Kingdom, EU Schengen countries and China. Grenada also offers access for its citizens to the United States of America E2 treaty investor visa which would enable the visa holder to reside, work and study in the United States. The Project marks a significant flag of our Group into the Caribbean region.

OUTLOOK AND CORPORATE STRATEGY

The Property Segment

The Group will focus on the five properties hand, namely, the Qiankeng Property, the Laiying Garden, the Realord Villas, the Realord Technology Park and the Zhangkengjing Property to ensure that the Group stays in a good position in this segment.

The Finance Services Segment

The Financial Services Segment of the Group is highly correlated to the debt and capital markets in Hong Kong. It is expected that the ongoing political tension between United States of America and China would push more Chinese enterprises go for listing on the Stock Exchange of Hong Kong. With the new listing regime for SPACs in Hong Kong, the Group expects its Financial Services Segment could still achieve a steady business growth in the near future. The Group is in the course of optimizing its software systems in relation to securities transaction while expanding its sales and marketing force. The Group is currently preparing to launch dark pool and U.S. stock trading systems.

The EP Segment, the MVP Segment, the Commercial Printing Segment, the Department Store Segment and the Hangtag Segment

Looking forward, amidst the market uncertainties, the Group will continue to exercise extreme cautions in the operations of the EP Segment, the MVP Segment, the Commercial Printing Segment, the Department Store Segment and the Hangtag Segment with a view to controlling operating costs, minimising the credit risk exposures, and expanding the customers base of the segments by strengthening their competitive edges among their competitors. The Group will continue to monitor the business plans, the associated risks and prospects of the operations of all segments, in order to maximise the return to the Shareholders.

The LAC Segment

The Project presents a valuable opportunity for the Group to diversity its business and operations in the Caribbean and Latin American region and enables it to expand its scale of operation overseas. By inviting foreign investment under the CBI Programme of Grenada, the Group has embarked on the Grenada Project.

The Group is keen to leverage its experience in the Grenada Project to explore further investment opportunities around the Caribbean economic zone and Latin American region. The Group has further targeted to invest in four other Caribbean countries, namely Antigua and Barbuda, Saint Lucia, Saint Kitts and Nevis, and Dominica. These four countries, together with Grenada (altogether, the "Designated Caribbean Countries"), were ranked top five popular investment destination by CBI Programme by the magazine "Professional Wealth Management" published by "Financial Times" in 2021. Other than the Grenada Project, the Group is also in negotiation with the authorities of the Republic of Panama on a power generation project to be granted under the foreign investors investment scheme of the Republic of Panama. As seen, it is the corporate strategy of the Group to invest and/or to form joint ventures with local governments in the targeted countries to set up and develop new businesses taking advantage of raising capital from foreign investors through the CBI Programmes of different countries. The Group has been identifying suitable investment projects in and develop appropriate business plans for each of the Designated Caribbean Countries and the Republic of Panama. After discussions with and obtaining support from the local governments of each of these Caribbean countries and the Republic of Panama, the Group will determine and proceed with the pertinent investment projects, with an aim to maximizing the return for the Shareholders. To this end, the Group has established a management and marketing team with offices in Beijing, Shanghai, Shenzhen and Hong Kong and engaged a consultant in Vietnam to implement the marketing strategies formulated for promoting the citizenship investment programmes and investment opportunities of each of the aforesaid countries.

The Caribbean region has long been popular with the Western countries such as Europe, the United States of America and Canada, and is an ideal place for vacations. In particular, Antigua and Barbuda, and Saint Kitts and Nevis are closer to the United States of America, and both countries have direct flights to Europe, the United States of America and Canada. Before the outbreak of the epidemic, more than one million tourists visited these two countries every year, but the development of infrastructure such as hotels and tourism facilities lags behind. Tourists who travel to the Caribbean region are high-end consumer groups with relatively strong spending power. Thus, they generally demand higher qualities for hotels and tourism facilities. However, the tourism facilities have becoming obsolete, and the hotel buildings and supporting facilities have not been upgraded and renovated promptly. On the other hand, in view of the increasing awareness of global warming, these Caribbean countries, which are still mainly relying on traditional method of generating electricity, are encouraged to develop renewable energy. In view of these, the Group has identified four investment propositions to collaborate with the respective local governments to accelerate economic development of each country. These four areas include (i) the clean energy sector; (ii) the education sector; (iii) the tourism sector; and (iv) the retail sector. Environmental and economic benefits of using renewable energy include: (i) generating energy that produces no greenhouse gas emissions from fossil fuels and reduces some types of air pollution; (ii) diversifying energy supply and reducing dependence on imported fuels; and (iii) creating economic development and jobs in manufacturing and installation, etc.. Education, tourism and retail projects are organically integrated to create an ecosystem, providing employment opportunities, and boosting the local economy and people's quality of life. The Group would also be able to embrace corporate social responsibility alongside with its stakeholders. The Group is confident that it can obtain support from local governments with favorable policy and initiatives.

It is the Group's strategy to seek for professional investors to jointly invest in the projects in the Designated Caribbean Countries and the Republic of Panama. Further, the Group is identifying capable and competent business partners with significant track record to participate in the projects. Subject to the planning and the feasibility studies of the projects as well as the requisite approval by the respective local government, it is expected that the Group would kick off the projects in the Designated Caribbean Countries and the Republic of Panama in 2022 and 2023.

Further details of the projects in contemplation by the Group are set out below:

The clean energy sector

The renewable energy projects would help the respective government gradually implement the goal of reducing carbon dioxide emissions and achieving carbon neutrality. Currently, only about 7% of the electricity is generated by solar power in Antigua and Barbuda and about 5% of the electricity is generated by renewable energy in Saint Kitts and Nevis. In Grenada, Saint Lucia and Dominica, only about 1% of the electricity is generated by renewable energy. The majority of the electricity of these Designated Caribbean Countries is still generated by crude oil. In light of the fact that the clean energy sector in the Caribbean and Latin American region is still at an early stage, the Group is confident that it would be able to reach strategic alliance with the respective local government to establish sustainable clean energy policy and further deploy the Group's investment strategy in this area.

The Group is planning to establish a sustainable clean energy hub in the region by investing in BOT (build-operate-transfer) projects approved by the local governments. These BOT projects include but not limited to the construction of power storage facilities, power management and grid management systems, wind power generation, solar power generation and application of clean power on infrastructure and buildings. The investment is expected to be carried out in two phases. The first phase would be establishing photovoltaic power plants in the Designated Caribbean Countries including ground centralised photovoltaic power station, lithium battery energy storage system, energy management system and grid control center. The second phase would be establishing smart grid upgrade and energy storage facilities. The Group is in negotiation with the local governments of Grenada and Dominica to enter into memoranda of understandings ("MOUs") to formulate the form of cooperation. The planning and feasibility studies would be finalised before June 2022, and construction of the BOT projects would commence in second half of 2022.

The education sector

The Grenada Project is planned to be developed into an university town, a resort and hotel complex and a university campus. Two to three internationally renowned universities will be invited to set up a campus in Grenada. As such, the Group is currently in discussion with the University of the West Indies in the Caribbean region, the University of Wales in the United Kingdom, the Vaughn College of Aeronautics and Technology and the Northeastern University in the United States of America. It is expected that such arrangement will be materialised in 2022, and the first phase of operation of the university is targeted to commence in August 2025. Apartments which could accommodate a total of 8,000 student will also be built.

For the development project in Panama City, the Group is planning to develop a complex of international school campuses, apartments for student, commercial complex, hotel resorts, residential villas and other ancillary facilities. Renowned universities will be invited from each of China, Europe and the United States of America to establish campuses in Panama City. It is planned that student apartments which could accommodate a total of 18,000 students and teaching buildings will be built. Besides, 4,500 residential apartments, 1,500 townhouses and 100 luxury villas will also be developed in the project. It is expected that the relevant approvals for the development project would be obtained in August 2022.

Further, the Group is also negotiating with the local government of Antigua and Barbuda to relocate the existing Hospitality Training Institute to a new address and to undergo an expansion.

The tourism sector

The Group has entered into an MOU with the government of Antigua and Barbuda in respect of the hotel and property investment, pursuant to which the Group shall invest in the construction of hundreds of hotel rooms, and the local government shall approve the projects to be under the CBI Programme and grant various preferential tax benefits to the construction of the projects. Under the MOU, the Group will proactively develop and plan for different projects. Projects which are currently confirmed include: (i) a luxury hotel villa project; (ii) an airport project; and (iii) a project involving cruise terminal, international cargo center, Caribbean maritime transportation hub and duty-free business center.

The Group is also considering taking over the development of a resort development project in Saint Kitts which has completed phase one and in the course of constructing phase two.

The retail sector

Leveraging on the brand name of "Sincere" and the experience in operating department stores, the Group plans to enhance the appeal of image and atmosphere in the retail environment in different locations. It is expected that retail stores and shopping facilities of "Sincere" will be established in collaboration with the university cities and investment activities of the Group in the area as discussed above.

The Group will continue to develop the business plans and assess the abovementioned projects and continue to identify new potential investment opportunities in other sectors, including but not limited to the banking and insurance sector, the desalination of sea water and sewage treatment sector, the general aviation and marine passenger transport sector, the infrastructure engineering sector, the international commodity trading sector, the mineral resources exploration sector and the offshore oil and gas exploitation sector in the Caribbean and Latin American region for the purpose of maximising the benefits and return to the Shareholders.

CONTINGENT LIABILITIES

Saved as disclosed in note 48 to the consolidated financial statements, the Group has no other significant contingent liabilities as at 31 December 2021.

LITIGATION

Saved as disclosed in note 49 to the consolidated financial statements, the Group has no other significant litigation as at 31 December 2021.

EVENTS AFTER REPORTING PERIOD

No significant event has taken place subsequent to 31 December 2021 and up to the date of this report.

OTHER INFORMATION

Voluntary Conditional Cash Offer

On 15 May 2020, the Company announced a voluntary conditional cash offer (subject to the satisfaction or waiver (as the case may be) of certain pre-conditions) to acquire all of the issued shares of Sincere (the "Offer"). The then controlling shareholder of Sincere, Win Dynamic Limited ("Win Dynamic"), has executed an irrevocable undertaking to the Company that Win Dynamic would tender, or procure the tender of, all of its shares in Sincere to accept the Offer. In addition, the subsidiaries of Sincere, including The Sincere Insurance & Investment Company, Limited ("Sincere II"), The Sincere Life Assurance Company Limited ("Sincere LA") and The Sincere Company (Perfumery Manufacturers), Limited ("Perfumery") (collectively the "Sincere Companies") had also executed irrevocable undertakings to accept the Offer (collectively the "Irrevocable Undertakings").

On 28 April 2021, the Company announced the pre-conditions of the Offer have been satisfied or waived (as the case may be).

As disclosed in the Offer Document, the final offer price is HK$0.3935 per share. In addition, the Offer was then conditional only on valid acceptances of the Offer will result in the Company holding more than 50% of the voting rights of Sincere.

On 7 May 2021, the Company announced the Offer had become unconditional in all respects.

As disclosed in the announcement of the Company dated 3 June 2021, the Offer closed on 3 June 2021. the Company had received valid acceptances in respect of a total of 1,044,695,362 shares of Sincere under the Offer, representing approximately 79.51% of the then entire issued share capital of Sincere. Accordingly, the Company has become the controlling shareholder of Sincere.

On 27 July 2021, the Company entered into a placing agreement with the placing agent (the "Placing Agent"), pursuant to which the Placing Agent shall act as an agent of the Company to procure, on a best effort basis, not less than six placees to purchase placing shares (the "Placing Share(s)") held by the Company at a placing price of HK$0.59 per Placing Share (the "Placing"). The Placing was completed on 30 July 2021 and following the completion, the number of shares of Sincere held by the Company decreased from 1,044,695,362 shares to 985,471,362 shares, representing a decrease in shareholding from approximately 79.51% to approximately 75.00% of shares in issue of Sincere.

Further details are disclosed in the joint announcements of the Company and Sincere dated 15 May 2021, 27 July 2021 and 30 July 2021 ("Joint Announcements"), the Offer Document, the response document of Sincere dated 20 May 2021 ("Response Document"), and the announcements issued by the Company on 7 May 2021 and 3 June 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

Concentration risk

The five largest customers of the Group contributed approximately 52.8% of the total turnover of the Group for the year; while the five largest suppliers of the Group contributed approximately 67.4% of the total purchases of the Group for the year. The concentration of sales and purchases on certain customers and suppliers may pose risk to the Group operation in that failure in any of these customers and suppliers may have adverse financial effect on the Group.

Credit risk

The account receivables/receivables arising from securities broking/loan receivables amounted to HK$836.1 million as at 31 December 2021, which comprise trade receivables amounted to HK$355.2 million, receivables arising from securities broking amounted to HK$290.5 million and loan receivables amounted to HK$190.4 million.

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

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

Market risk

Investment properties

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

Financial assets

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

LAWS AND REGULATIONS

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

Operation in regulatory sector

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

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

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

Workplace Quality

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

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

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

Environmental Protection

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

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

RELATIONSHIP WITH EMPLOYEES

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

RELATIONSHIP WITH SUPPLIERS

Fair and Open Competition

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

Public Interest and Accountability

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

Procurement and Tendering Procedures

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

RELATIONSHIP WITH CUSTOMERS AND CLIENTS

Customer Services

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

ENVIRONMENTAL AND SOCIAL POLICIES

Details of the environmental and social policies of the Group are set out in the Environmental, Social and Governance Report on pages 52 to 86.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total workforce of 521, of whom 335, 135, 31 and 20 were based in Hong Kong, the PRC, Japan and Grenada. Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

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

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

EXECUTIVE DIRECTORS

Dr. Lin Xiaohui ("Dr. Lin")

Dr. Lin, aged 48, was appointed as the chairman and an executive director of the Company and the chairman of the Executive Committee. Dr. Lin is also currently the chairman and an executive director of The Sincere Company, Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 244) ("Sincere"), a subsidiary of the Company. Dr. Lin obtained a post graduate diploma in business administration from the Society of Business Practitioners in December 2013, a Master degree of business administration from the City University (formerly known as the City University College of Science and Technology) in September 2014 and a Honorary Doctorate degree of Business Administration from the SABI University in August 2015.

Since 2005, Dr. Lin has held management positions in a number of private companies in which he has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Dr. Lin is currently a member of the election committee of the chief executive of Hong Kong Special Administrative Region, a member of the Committee of the Chinese People's Political Consultative Conference of Shenzhen, a vice chairman of Shenzhen Federation of Industry & Commerce* (深圳市工商聯), a chairman of Shenzhen Futian District Federation of Industry & Commerce* (深圳市福田區工商聯 (總商會)), and was a member of Standing Committee of the 3rd to 5th Chinese People's Political Consultative Conference of Futian District, Shenzhen. Dr. Lin is the spouse of Madam Su Jiaohua ("Madam Su") and the brother of Mr. Lin Xiaodong ("Mr. Lin"). Dr. Lin joined the Group in June 2014.

Madam Su

Madam Su, aged 49, was appointed as the chief executive officer and an executive director of the Company and a member of the Executive Committee. Madam Su is also currently an executive director and the chief executive officer of Sincere. Madam Su obtained the advanced diploma in business studies from Ashford College of Management & Technology Singapore (formerly known as AMGT Management School) in September 2012. Since 2005, Madam Su has held management positions in a number of private companies in which she has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Madam Su also served as a member of the 6th People's Congress of Futian District, Shenzhen City, and a member of The 6th People's Congress of Shenzhen City. Madam Su is the spouse of Dr. Lin. Madam Su joined the Group in June 2014.

Mr. Lin

Mr. Lin, aged 39, obtained a Bachelor of Commerce and Administration in Commercial Law and International Business from the Victoria University of Wellington, New Zealand in 2007. He has worked in the Branch Office of Shenzhen Municipal Office of the State Administration of Taxation* (深圳市國家稅務局直屬分局) from 2007 to 2009. He has undertaken various managerial roles in a company owned by Dr. Lin and Madam Su since 2009. Mr. Lin is the brother of Dr. Lin. Mr. Lin joined the Group in June 2014.

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Leung Fai ("Mr. Yu")

Mr. Yu, aged 45, was appointed as an independent non-executive director of the Company, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Mr. Yu is a member of the American Institute of Certified Public Accountants, Certified Practicing Accountants of Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Yu obtained a bachelor's degree in commerce from University of Toronto, Canada in June 2000 and a bachelor's degree in law from University of London, United Kingdom in August 2005. Mr. Yu has over 20 years of experience in corporate services field. He first started his career as an auditor of Deloitte Touche Tohmatsu. Since 2001, Mr. Yu joined Fung, Yu & Co. CPA Limited (formerly Fung, Yu & Co.) and is currently the company's managing partner. Mr. Yu has also been the company secretary of Beijing Media Corporation Limited (stock Code: 1000), Yuanda China Holdings Limited (stock Code: 2789) and Sany Heavy Equipment International Holdings Company Limited (stock Code: 631), and the independent non-executive director of Dowway Holdings Limited (stock Code: 8403), The Sincere Company, Limited (stock Code: 244) and CSMall Group Limited (stock Code: 1815), all of which are listed companies in Hong Kong, since 2010, 2012, 2017, 2019, 2021 and 2021, respectively. Mr. Yu joined the Group in June 2014.

Mr. Fang Jixin ("Mr. Fang")

Mr. Fang, aged 40, was appointed as an independent non-executive director of the Company, the chairman of the Remuneration Committee, a member of Audit Committee and Nomination Committee.

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

* *For identification purpose only*

Mr. Ho Chun Chung, Patrick ("Mr. Ho")

Mr. Ho, aged 58, was appointed as an independent non-executive director of the Company and a member of the Audit Committee.

Mr. Ho worked in PricewaterhouseCoopers from 1987 to 1992 and Gold Peak Industries (Holdings) Limited (stock code: 40) from 1992 to 2000 with his last position as financial controller and Chen Hsong Holdings Limited (stock code: 57) from 2002 to 2005 as financial controller. Mr. Ho was an independent non-executive director of Tesson Holdings Limited (stock code: 1201) from 2014 to 2016 and Asia Investment Finance Group Limited (currently known as Amber Hill Financial Holdings Limited) (stock code: 33) from 2015 to 2018 respectively. He has been the independent non-executive director of Ling Yui Holdings Limited (stock code: 784) since December 2017 and A&S Group (Holdings) Limited (stock code: 1737) since February 2018. Mr. Ho obtained a professional diploma in accountancy from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1987 and a master degree in finance from the City University of Hong Kong in December 1996. Mr. Ho is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since February 1991 and October 1995, respectively. Mr. Ho joined the Group in March 2022.

SENIOR MANAGEMENT

Mr. Tsang Chin Pang ("**Mr. Tsang**"), aged 43, re-joined the Group and has been appointed as the chief financial officer and company secretary of the Company in August 2021. Mr. Tsang graduated from the Hong Kong University of Science and Technology with a bachelor of business administration in finance. He is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsang has over 20 years of experience in the field of finance and accounting and he was the chief financial officer and company secretary of the Company for the period from February 2011 to July 2016.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 58 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 December 2021 by business operating segments and geographical information is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2021 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 94 to 245.

No interim and final dividend have been declared during the years ended 31 December 2021 and 31 December 2020.

FIVE YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five fiscal years is set out on page 246.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 is set out in the "Management Discussion and Analysis" section on pages 7 to 25.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 December 2021 are set out in note 44 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

At 31 December 2021, the Company did not have any reserve available for distribution (2020: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

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

(1) The aggregate amount of turnover attributable to the Group's five largest customers represented 52.8% of the Group's total turnover. The amount of sales to the Group's largest customer represented 15.9% of the Group's total turnover.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 67.4% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 37.8% of the Group's total purchases.

None of the directors of the Company, their associates or any shareholder (who, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2021.

DIRECTORS

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

Executive directors:

Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

Independent non-executive directors:

Mr. Yu Leung Fai
Mr. Fang Jixin
Mr. Ho Chun Chung Patrick (appointed on 8 March 2022)
Dr. Li Jue (resigned on 15 September 2021)

Mr. Lin Xiaodong and Mr. Yu Leung Fai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Bye-law 87 of the Company's Bye-laws.

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in notes 13 and 52 to the consolidated financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2021, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

	Number of shares held					
Name of directors	Personal interests (held as beneficial owner)	Corporate interests	Spouse interests	Interest from options granted under share option scheme	Total interests	Total interests as% of the issued share capital
Dr. Lin Xiaohui	–	903,160,000 *(Note 1)*	–	–	903,160,000	62.73%
Madam Su Jiaohua	–	–	903,160,000 *(Note 2)*	–	903,160,000	62.73%
Mr. Lin Xiaodong	–	–	–	1,000,000	1,000,000	0.07%
Mr. Yu Leung Fai	500,000	–	–	–	–	0.03%
Mr. Fang Jixin	500,000	–	–	–	–	0.03%

Notes:

1. As at 31 December 2021, Manureen Holdings Limited ("MHL") was the legal and beneficial owner of 903,160,000 shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of MHL, he was deemed to be interested in 903,160,000 shares.

2. Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 903,160,000 shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 31 December 2021, so far as is known to the directors, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held	Percentage of issued capital
MHL	Beneficial owner	903,160,000	62.73%
Mr. Ma Chao	Beneficial owner	170,000,000	11.81%

Note:

As at 31 December 2021, MHL was the legal and beneficial owner of 903,160,000 Shares. MHL was owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

Save as disclosed above, as at 31 December 2021, other than the directors and chief executive of the Company whose interests or short positions are set out in the paragraph headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above, the directors and chief executive of the Company were not aware of any person who had any interest or short position in the shares or underlying shares of the Company according to the register of interest required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

The share option scheme (the "Option Scheme") adopted by the Company was approved by the shareholders at the annual general meeting of the Company held on 10 August 2012 and is effective for a period of 10 years commencing on 10 August 2012. The purpose of the Option Scheme is to attract and retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group or any invested entity through granting of options to eligible participants. Further details of the Option Scheme are disclosed in note 45 to the consolidated financial statements.

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

Name of Grantee	Date of Grant	Exercise Period	Exercise price per share (HK$)	Outstanding as at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2021
Directors								
Lin Xiaodong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Yu Leung Fai	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	(500,000)	–	–
Fang Jixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	(500,000)	–	–
Li Jue (resigned on 15 September 2021)	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	(500,000)	–	–
				2,500,000	–	(1,500,000)	–	1,000,000
Directors' associates								
Lin Xiaohong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Su Jiawen	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	(1,000,000)	–
Lin Yixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	300,000	–	–	(300,000)	–
Lin Jingming	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
				3,300,000	–	–	(1,300,000)	2,000,000
Other employees								
In aggregate	20/5/2015	20/5/2017 – 19/5/2025	4.11	2,000,000	–	–	(400,000)	1,600,000
				2,000,000	–	–	(400,000)	1,600,000
				7,800,000	–	(1,500,000)	(1,700,000)	4,600,000

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

The weighted average closing price immediately before the exercise of the share options was HK$10.30.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 44 to 51.

MATERIAL CONNECTED TRANSACTIONS

On 1 December 2021, Dr. Lin and the Company entered into the deed of gift, pursuant to which, Dr. Lin has irrevocably undertaken to transfer to the Company, and the Company has agreed to accept, the Gift Interest, being 70.5% equity interest in the Caribbean Education Group beneficially held by Dr. Lin, at nil consideration. The principal business of the Caribbean Education Group is the development of the property development project in Grenada. The Grenada Project involves the development of a mixed property project consisting residential properties, hotel and resort facilities, commercial development and shopping facilities, educational facilities and in a longer plan university establishment(s) and related amenities to be situated at the Mt. Hartman area in the parish of Saint George in the State of Grenada and divided into 3 lots of land ("Project Lands"). It is envisaged that the Project Lands will contain by admeasurement 450 acres (approximately 1,821,084 square meters), and will be developed into an university town, a resort and hotel complex and a university campus respectively. Caribbean Education Group is also contemplating to engage in another property development project in the Republic of Panama. The transaction is completed on 31 December 2021. Further details are set out in the announcements of the Company dated 1 December 2021 and 31 December 2021.

CONTINUING CONNECTED TRANSACTIONS

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

SERVICE AGREEMENT

On 15 May 2020, Realord EP Japan and Tsugawa Metal entered into the service agreement (the "Service Agreement"), pursuant to which Tsugawa Metal agreed to provide the technical services to Realord EP Japan for JPY12,300,000 (equivalent to approximately HK$927,051) per month with workers' overtime charge on a hourly rate (if any), for carrying on the Group's dismantling and trading of scrap materia business in Japan.

On 17 August 2021, Realord EP Japan served a notice to Tsugawa Metal to early terminate the service agreement with effective from 1 September 2021. Further details are set out in the announcement of the Company dated 17 August 2021.

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

The transaction of Service Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Date

15 May 2020

Parties

(i) Realord EP Japan; and

(ii) Tsugawa Metal

Terms of service

Services to be provided by Tsugawa Metal	:	The technical services including the processing and dismantling of scrap materials by 41 workers and related technical and logistics support
Term	:	15 May 2020 to 31 December 2021 (both dates inclusive)
Monthly service fee	:	JPY12,300,000 (consumption tax inclusive and equivalent to approximately HK$927,051) per month (or on a pro-rata basis based on the number of working days if the relevant period is less than one month) The above fee was determined after arm's length negotiations between Realord EP Japan and Tsugawa Metal with reference to the staff costs of 41 workers under the technical services. The average monthly service fee charged by Tsugawa Metal per number of workers providing such technical services is (i) similar to that of the average monthly service fee charged by Tsugawa Metal per number of workers under the 2019 Service Agreement; and (ii) lower than the average income of similar workers in manufacturing industry in Osaka, Japan based on government statistics.

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

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

ANNUAL CAPS

The Company has set the annual caps in relation to the technical services as follows:

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

The above annual caps were determined by the Company after having taken into account the term of the Service Agreement during the respective financial year, the monthly service fee and the estimate of overtime charge to be incurred for the technical services. The overtime charge to be incurred is estimated based on (i) the estimated number of workers' overtime hours involved to increase the volume of scrap materials processed from the agreed Minimum Monthly Volume of 1,700 tonnes per month to 1,950 tonnes per month as a result of the potential increase in machines productivity; and (ii) the average hourly rate per worker for overtime work estimated based on the monthly service fee for the technical services assuming each worker works eight hours per day and 25 working days per month. The actual service fee charged under the Service Agreement was approximately HK$6,397,000 during the year.

Full details of the above continuing connected transactions are set out in the announcements published by the Company on 15 May 2020 and 17 August 2021 and on the website of the Stock Exchange.

FINANCING AGREEMENT

On 28 October 2020, a non-wholly owned subsidiary of the Group, Realord Asia Pacific Securities Limited (the "Realord APSL") entered into a financing agreement with Dr. Lin, Madam Su, Mr. Lin Sen and Ms. Lin Na ("Ms. Lin") (together, the "Lin Family Members") in relation to the provision of securities brokerage and margin financing services (the "Financing Agreement") from 2021 to 2023. Pursuant to the Financing Agreement, Realord APSL shall provide the IPO financing services and margin financing services (together, the "Financing Services") to the Lin Family Members and their respective majority-owned companies for a term commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive). The annual caps for each of the financial year ended 31 December 2021 and the two financial years ending 31 December 2022 and 2023 were set below. During the year ended 31 December 2021, the IPO financing and margin financing did not exceed the maximum daily balances.

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

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

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

Details of the above continuing connected transactions are set out in the circular of the Company dated 1 December 2020.

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

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

(2) on normal commercial terms or better; and

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

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditors, Grant Thornton Hong Kong Limited ("Grant Thornton") was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Grant Thornton has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above and in the section headed "Material Connected Transactions" in this report, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements under Chapter 14A of the Listing Rules during the year. For those related party transactions of the Group during the year as disclosed in note 52 to the consolidated financial statements, all were connected or continuing connected transactions (as the case may be) which were fully exempted from the disclosure requirements for reporting, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules. The Company confirmed it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

For the year ended 31 December 2021, the Group has made donation of approximately HK$503,000 (2020: Nil)

AUDITOR

Grant Thornton Hong Kong Limited has been appointed as the Company's auditor on 15 January 2020 following the resignation of Deloitte Touche Tohmatsu. Save as disclosed above, there was no other change of the auditor of the Company in any of the preceding three years.

The consolidated financial statements for the year ended 31 December 2021 of the Group have been audited by Grant Thornton Hong Kong Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

For and on behalf of the Board

Lin Xiaohui
Chairman

Hong Kong, 31 March 2022

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has complied all code provisions (the "Code Provisions") in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules for the year ended 31 December 2021.

Non-Compliance With Rules 3.10(1) And 3.21 Of The Listing Rules During The Year Ended 31 December 2021

As announced by the Company dated 15 September 2021, Dr. Li Jue resigned as the independent non-executive director and ceased to be the chairman of the Remuneration Committee and the member of the Audit Committee. Following the resignation of Dr. Li Jue, the Board comprised only two independent non-executive directors and failed to meet the requirements of (a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; and (b) Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Ho Chun Chung Patrick on 8 March 2022, the Company had complied with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules. For details, please refer to the announcements of the Company dated 15 September 2021, 15 December 2021 and 8 March 2022, respectively.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

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

The Board held 8 times Board Meetings during the year ended 31 December 2021. Its composition and the attendance of individual directors at these Board meetings were follows:

Name	Number of Board meetings attended/held
Executive directors	
Dr. Lin Xiaohui *(Chairman)*	8/8
Madam Su Jiaohua *(Chief Executive Officer)*	8/8
Mr. Lin Xiaodong	8/8
Independent non-executive directors	
Mr. Yu Leung Fai	8/8
Mr. Fang Jixin	8/8
Mr. Ho Chun Chung Patrick (appointed on 8 March 2022)	N/A
Dr. Li Jue (resigned on 15 September 2021)	7/7

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

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

DIRECTORS' TRAINING

All directors participate in continuous professional development to enhance and refresh their knowledge and skills. During the year ended 31 December 2021, all directors had provided the Company their training records. All directors participated in continuous professional development exercise by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updates on the roles, functions and duties of a listed company directors. The trainings attended by the directors are in the area of corporate governance, regulatory development, financial management or business skills and knowledge. The Company is of the view that all directors of the Company has compiled with Code Provision A.6.5.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management;

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

- to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report; and

- such other corporate governance and functions set out in the Code Provisions (as amended from time to time) for which the Board are responsible.

REMUNERATION COMMITTEE

During the year ended 31 December 2021, the members of the Remuneration Committee comprised one executive director and two independent non-executive directors of the Company, namely Mr. Fang Jixin (Chairman), Mr. Yu Leung Fai, Dr. Lin Xiaohui and Dr. Li Jue (the former chairman). Mr. Fang Jixin has been appointed as the chairman of the Remuneration Committee of the Board in replace of Dr. Li Jue with effective from 15 September 2021. The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee held one time Meeting during the year ended 31 December 2021. Directors and other related matters, and the attendance record, on a named basis, is set out below:

Remuneration Committee Members	Meeting attended/held
Mr. Fang Jixin *(Chairman) (appointed on 15 September 2021)*	N/A
Mr. Yu Leung Fai	1/1
Mr. Lin Xiaohui	1/1
Dr. Li Jue *(Chairman) (resigned on 15 September 2021)*	1/1

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management. During the year ended 31 December 2021, the Remuneration Committee has reviewed the Group's remuneration policy, including the policy for the remuneration of executive directors in accordance with Code Provision B.1.2(c)(ii), the levels of remuneration paid to executive directors and senior management of the Group.

NOMINATION OF DIRECTORS

During the year ended 31 December 2021, the members of the Nomination Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Lin Xiaohui (Chairman), Mr. Yu Leung Fai and Mr. Fang Jixin. The terms of reference of the Nomination Committee have been determined with reference to the Code.

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

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

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

AUDIT COMMITTEE

During the year ended 31 December 2021, the members of the Audit Committee comprised three independent non-executive directors of the Company, namely Mr. Yu Leung Fai (Chairman), Mr. Fang Jixin and Dr. Li Jue. Dr. Li Jue resigned on 15 September 2021. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The Audit Committee held two times Meetings during the year ended 31 December 2021. Directors and other related matters, and the attendance record, on a named basis, is set out below:

Audit Committee Members	**Meetings attended/held**
Mr. Yu Leung Fai *(Chairman)*	2/2
Mr. Fang Jixin	2/2
Mr. Ho Chun Chung Patrick *(appointed on 8 March 2022)*	N/A
Dr. Li Jue *(resigned on 15 September 2021)*	2/2

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. As at 31 December 2021, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements of the Company on a going-concern basis.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

Based on the internal control reviews conducted in 2021, no significant control deficiency was identified.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, fees paid/payable to the Company's external auditors for annual audit services totalled HK$5,400,000 (year ended 31 December 2020: HK$3,600,000). For other audit/review-related services, the fees amounted to HK$1,121,000 (year ended 31 December 2020: HK$630,000).

COMPANY SECRETARY

The Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing the corporate governance practices. The Company Secretary confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2021 and has provided training record to the Company indicating his compliance with the training requirement under the Listing Rules. The Company is of the view that the Company Secretary has compiled with Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

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

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

DIVIDEND POLICY

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

SHAREHOLDERS' RIGHTS

Convenes a special general meeting of the Company

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

Enquiries to the Board

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

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

Procedures for putting forward proposals at general meetings

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

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

2. not less than one hundred shareholders.

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

Realord Group Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "we") is a conglomerate listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which included the Property Segment, the Financial Services Segment, the EP Segment, the MVP Segment, the Commercial Printing Segment, the Hangtag Segment, and the Department Store Segment with geographic coverage in Hong Kong, the People's Republic of China (the "PRC"), Japan, the Latin America and the Caribbean.

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development during the reporting period from 1 January 2021 to 31 December 2021 (the "Reporting Period").

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

THE ESG GOVERNANCE STRUCTURE

The Group conducts a top-down management approach regarding its ESG issues. The board of directors (the "Board") oversees and sets out ESG strategy for the Group. The Board is also responsible for ensuring the effectiveness of the Group's risk management and internal control mechanisms. To develop a systematic management approach for ESG issues, the Group has arranged designated personnel from various departments to manage the Group's ESG matters as a working group. The working group is responsible for collecting relevant information on the ESG aspects for the preparation of the ESG Report. It periodically reports to the Board, assists in identifying and assessing the Group's ESG risk, and evaluates the implementation and effectiveness of the Group's internal control system, to evaluate, prioritise and manage material ESG-related issues. It also examines and reviews the Group's ESG performance against the Group's ESG-related goals and targets, including environmental, labour practices, and other ESG aspects.

REPORTING SCOPE

The reporting scope of this ESG Report covers the below business segments:

1) Office of holding company located in Hong Kong;
2) Commercial printing segment located in Hong Kong;
3) Distribution and sales of motor vehicle parts in Hong Kong;
4) Financial services segment in Hong Kong;
5) Property investment, development and commercial operation in Shenzhen, China;
6) Environmental protection industry in Japan and Guangxi, China;
7) Department store in Hong Kong; and
8) Caribbean Education Group in the Latin America and the Caribbean.

The change in reporting scope from last year mainly due to the acquisition of The Sincere Company Limited ("Sincere") (stock code: 0244) and Caribbean Education Group. Due to the development of data collection system, the Group has enhanced the scope of reporting to main business segments during the Reporting Period.

The environmental data for Caribbean Education Group is not included as the Group considered the environmental data for this business segment was minimal.

REPORTING PRINCIPLES

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

Materiality

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

Quantitative

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

Balance

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

Consistency

We have reported in accordance with the ESG Reporting Guide of the Stock Exchange, which allows for year-to-year comparison with our previous performance. This year, the Group has widened the scope of the ESG report to all main business segments from Shenzhen Office and Environmental Protection Industry only. With the new acquisitions and newly added business segments, the data for the Reporting Period may cause inconsistency to the year ended 31 December 2020.

COMMUNICATION WITH STAKEHOLDERS

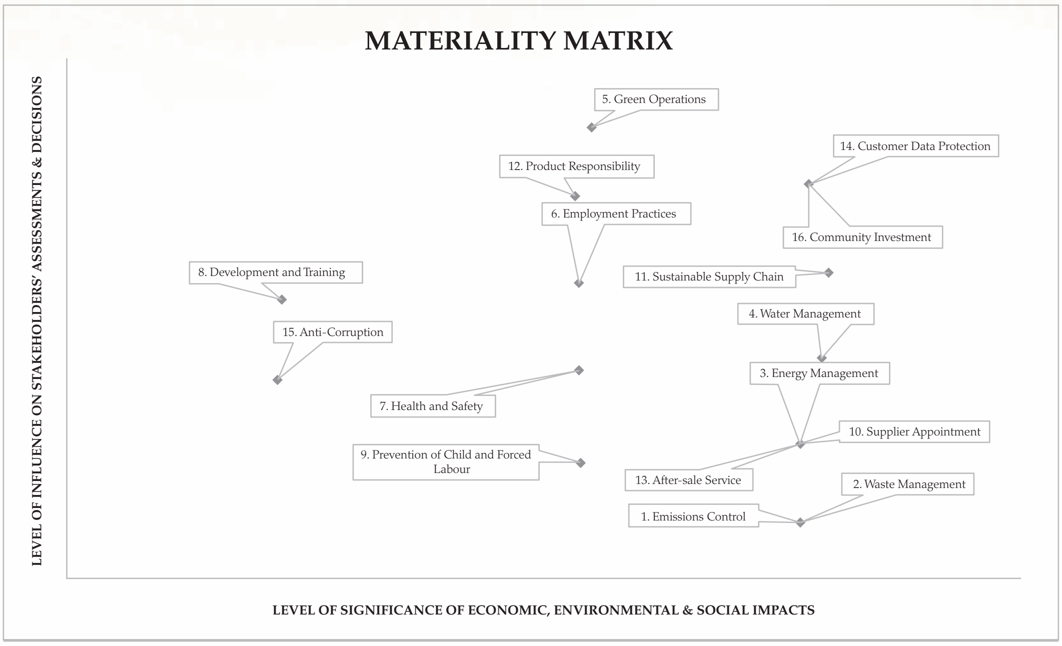
The Group strives to accommodate views and interests of stakeholders (including but not limited to shareholders, customers, employees, suppliers, regulatory authorities and the public) through constructive communications with them to determine the direction of the Group's long-term development and maintain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

Stakeholders	Possible issues of concern	Communication channels
The Board	• Corporate governance • Regulatory compliance • Financial performance • Strategic development	• Board meetings • Committee meetings • Annual general meeting • Emails
Shareholders and investors	• Corporate governance system • Business strategies and performance • Investment returns	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars • Company website and email
Customers	• Good customer service • Reasonable prices • Privacy protection • Business integrity and ethics	• Customer service hotline • Interim and annual reports, corporate websites • Regular meetings and communication
Employees	• Remuneration and compensation • Equal opportunities • Career development • Health and safety	• Training • Employee handbook • Staff appraisals
Suppliers	• Payment schedule • Stable demand • Fair and open tendering	• Emails • Regular assessment of suppliers' performance • Supplier management meetings and events
Regulatory bodies and government authorities	• Regulatory compliance • Prevention of tax evasion • Social welfare	• Interaction and visits • Government inspections • Compliance advisor
Media, community and the public	• Environmental protection • Employment and community development • Social welfare	• Community activities • Employee voluntary activities • ESG reports • Media

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

MATERIALITY ASSESSMENT

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



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

CONTACT US

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

A. ENVIRONMENTAL

A1. Emissions

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

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

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

EMISSIONS CONTROL

Air and Exhaust Gas Emissions

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

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

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

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

Types of exhaust gas	**Unit**	**Emissions**	
		2021	2020
Nitrogen oxides (NO_x)	kg	246.24	20.94
Sulphur oxides (SO_x)	kg	0.81	0.27
Particulate Matter (PM)	kg	23.23	1.53

The expansion of scope of the ESG Report has caused the increase of exhaust gas emissions.

GHG Emissions

It is an indisputable fact that global warming is becoming more and more serious. The Group has been paying attention to climate change issues. In this regard, it seeks to take the optimal measures to reduce greenhouse gas emissions from business operations and combat climate change. We also conduct data monitoring to identify and classify sources of greenhouse gas emissions in accordance with requirements and guidelines of the Stock Exchange, so as to compare the data performance of various sources.

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

Through the implementation of such measures, employees' awareness of reducing GHG emissions has been noted to have increased. However, the total GHG emissions intensity of the Group in 2021 has increased by approximately 20.2% from 2020 mainly due to expansion of business scales in Japan Recycling Yard.

The Group has set the emission target to maintain the total GHG emission intensity level in FY2022 as in FY2021 (FY2021: approximately 3.92 tCO_2e per employee). In order to achieve this emission target, the Group has implemented a number of energy-saving measures. For measures on energy conservation and emission reduction, please refer to the section headed "Use of Resources".

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

Indicators[1]	**Unit**	**Emissions**	
		2021	2020
Scope 1 – Direct GHG emissions			
• Fuel consumed by vehicles and machinery	tCO_2e	285.75	48.11
Scope 2 – Indirect GHG emissions			
• Purchased electricity	tCO_2e	1,755.17	245.41
Total GHG emissions	tCO_2e	2,040.92	293.52
Total GHG emissions intensity[2]	tCO_2e/no. of employee	3.92	3.26

Note:

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

2. As at 31 December 2021 and 31 December 2020, the Group had 521 and 90 employees under the specified ESG reporting scope respectively. The data is also used for calculating other intensity data.

NOISE POLLUTION MANAGEMENT

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

SEWAGE DISCHARGE

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

WASTE MANAGEMENT

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

Hazardous Waste Management

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

Non-Hazardous Waste Management

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

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

Due to such measures, employees' awareness of reducing waste disposal has been noted to have increased. The total amount of non-hazardous waste intensity in 2021 has decreased by approximately 57.14% from 2020.

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

Types of non-hazardous waste	**Unit**	**Disposal Amount**	
		2021	2020
Total non-hazardous wastes disposed	tonnes	16.13	6.37
Total non-hazardous wastes intensity	tonnes/no. of employees	0.03	0.07

The Group has set a target for waste generation to maintain the total paper disposal intensity level in FY2022 as in FY2021 (FY2021: approximately 0.03 tonnes per employee). In order to achieve this waste disposal target, the Group has adopted green office practices to reduce paper consumption. The Group has implemented an electronic office system to encourage the use of electronic forms for internal communication, such as business trip application and expense reimbursement application. In addition, the Group has set duplex printing as the default mode for printers.

A2. Use of Resources

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

ENERGY MANAGEMENT

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

The energy conservation measures we have undertaken in 2021 are as follows:

Energy conservation measures

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

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

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

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

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

Through the implementation of such measures, employees' awareness of reducing energy use has been noted to have increased. However, the total energy consumption intensity in 2021 has been increased by approximately 8.74% from 2020 mainly due to change of scope of ESG Report and expansion of business scales in Japan Recycling Yard.

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

Types of energy	Unit	Consumption 2021	2020
Direct energy consumption[1]	**kWh**	**1,370,627.44**	**175,642.23**[1]
Diesel	kWh	1,097,254.97	3,466.14
Petrol	kWh	273,372.47	172,176.09
Indirect energy consumption	**kWh**	**2,641,342.45**	**461,683.00**
Purchased electricity	kWh	2,641,342.45	461,683.00
Total energy consumption	**kWh**	**4,011,969.89**	**637,352.23**
Total energy consumption intensity	kWh/No. of employees	7,700.52	7,081.69

Note:

1. Actual petrol consumption was approximately 28,207.86 and 17,765.94 litres in 2021 and 2020 respectively. Actual diesel consumption was 102,516.20 litres in 2021.

The Group has set an energy use efficiency target to maintain the total energy consumption intensity level in FY2022 as in FY2021 (2021: approximately 7.70 MWh per employee). The Group has implemented above number of energy-saving measures in order to achieve this energy reduction target.

WATER MANAGEMENT

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

Through the implementation of such measures, employees' awareness of reducing water consumption has been noted to have increased. The total water consumption in 2021 has been decreased by 4.68% from 2020 due to less water consumption with the water saving measure adopted.

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

Indicator	Unit	Consumption 2021	Consumption 2020
Water consumption	m^3	7,106.61	1,287.60
Water consumption intensity	m^3/no. of employees	13.64	14.31

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

The Group has set a water use efficiency target to maintain the water consumption intensity level in FY2022 as in FY2021 (2021: approximately 13.64 m^3 per employee). The Group has implemented the water-saving measures above in order to achieve this water use efficiency reduction target.

PACKAGING MATERIAL

The packaging materials of the Group are mainly consumed by the business segment of Sincere. Reducing the packaging material bring both the environmental and economic benefit. The Group is dedicated to optimise the design of the packaging such that it can deliver against key performance criteria while using the least amount of packaging material. The Company measures different types of material used to gauge our environmental performance. The following tables show the figures of material consumption of packaging materials:

Indicator	Unit	Consumption 2021	Consumption 2020
Plastic Bag	pieces	91,300	N/A
Carton Box	pieces	166	N/A

A3. The Environment and Natural Resources

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

NATURAL RESOURCE PROTECTION

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

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

GREEN OFFICE POLICY

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

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

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

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

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

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

A4: Climate Change

The Group recognises that climate change has been affecting our stakeholders, business operations and communities in different aspects. The Group strive to enhance its ability to respond to climate impacts and mitigate the risks and impacts of climate change on the Group, thereby helping the Group to adapt to and resist climate change. During the Reporting Period, the Group has been paying close attention to the impact of climate change as described below.

PHYSICAL RISKS

Extreme weather caused by climate change such as typhoons and rainstorms may disrupt business operations. In order to minimise disruptions to our business operations, the Group has put in place a set of contingency measures for adverse weather conditions as well as appropriate back-up of important information to minimise the negative impact on our business.

In addition to the above, the Group is also fully aware that extreme weather conditions may endanger the health and safety of employees. Therefore, we have formulated comprehensive typhoon and rainstorm arrangements to protect the health and safety of employees in extreme weather conditions. The Group also takes into account the different situations faced by individual employees under extreme weather conditions as far as possible, such as residence, nearby roads and traffic conditions, and adopts flexible treatment methods depending on the actual difficulties and needs of employees. For example, the Group implements a flexible off-duty day schedule for employees. At the same time, under extreme weather conditions, the human resources department will remind and notify employees of the latest weather conditions through communication software or emails.

TRANSITION RISK

In terms of legal risks, the Group expects that the laws and regulations related to climate change will become more stringent, such as the possibility that local governments adopt carbon tax to manage national GHG emissions. As a result, the Group may be exposed to legal risks and may have to incur higher operating costs to comply with regulatory changes. The Group has adopted a series of measures against possible legal risks. Firstly, the Group continuously monitors any changes in laws or regulations. Secondly, the Group has sought compliance advisory services to reduce legal risks. Thirdly, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing greenhouse gas emissions. As we do more than meet the compliance requirements, we can quickly adapt to the more stringent regulations that may arise.

B. SOCIAL

B1. Employment

The success of our business depends on the untiring efforts and dedicated service of all employees. The Group understands that the recruitment, retention and cultivation of talents can help maintain its market competitiveness. The Group has in place the Employee Handbook to ensure that employees are treated in a fair and reasonable manner. As at 31 December 2021, the Group employed a total of 521 staff, including operational office, sales and marketing, and back office division.

During the Reporting Period, the breakdown of employees by gender, age group and employment type and geographical regions were as follows:

	FY2021
By gender	
Male	254
Female	267
By age group	
30 years old or below	92
31-50 years old	254
51 years old or above	175
By employment type	
Full-time	485
Part-time	36
By geographical region	
Hong Kong and Mainland China	493
The Latin America and the Caribbean	20
Others (including Japan, India, and Nepal)	8

During the Reporting Period, the overall employee turnover rate was 30.71%. The breakdown of turnover rate was as follows:

	Percentage (%)
By gender	
Male	45%
Female	17%
By age group	
30 years old or below	30%
31-50 years old	31%
51 years old or above	31%
By geographical region	
Hong Kong and Main China	32%
The Latin America and the Caribbean	0%
Others (including Japan, India, and Nepal)	0%

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

RECRUITMENT, PROMOTION AND EQUAL OPPORTUNITY

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

WORK-LIFE BALANCE

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

REMUNERATION AND BENEFITS

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

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

COMPENSATION, TERMINATION OF EMPLOYMENT AND RETIREMENT

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

ANTI-DISCRIMINATION

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

B2. Health and Safety

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

During the Reporting Period, the Group did not record any work-related fatalities. And the Group did not have the lost-days related to work injuries. Also, the Group did not record any work-related fatalities occurred in the financial years ended 31 December 2019 and 31 December 2020.

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

OCCUPATIONAL HEALTH AND SAFETY

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

WORKPLACE SAFETY MANAGEMENT

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

PERSONAL PROTECTIVE EQUIPMENT

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

WORKPLACE HYGIENE

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

EMPLOYEE WORK SAFETY TRAINING

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

INCIDENT RESPONSE PLAN

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

STRESS MANAGEMENT

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

PREVENTATIVE MEASURES ON COVID-19

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

B3. Development and Training

During the Reporting Period, the Group's number of employees received training and their training hours were as follows:

	Percentage of employee trained (%)	Average training hours per trained employee
By gender		
Male	43	54
Female	21	46
By employment type		
Senior management	44	57
Middle management	47	50
Other employees	27	50

CAREER DEVELOPMENT

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

PRE-EMPLOYMENT TRAINING

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

VOCATIONAL SKILLS TRAINING

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

B4. **Labour Standards**

PREVENTION OF CHILD AND FORCED LABOUR

The Group prohibits the recruitment of child labour and has zero tolerance of forced labour. In accordance with the Regulations of the People's Republic of China on Special Protection of Juvenile Workers (《女職工和未成年工特殊勞動保護》), Labour Standards Law in Japan and relevant foreign laws and regulations, the Group reviews the valid identity certificates of job applicants in the employee recruitment, onboarding approval and onboarding registration process. If violations are involved, they will be dealt with in the light of circumstances.

During the Reporting Period, the Group was not aware of any material non-compliance with related laws and regulations that would have a significant impact on the Group, including but not limited to Labour Contract Law of the People's Republic of China and Article 56 of Labour Standard Law in Japan.

In the process of employment, the Group, in accordance with the above relevant laws, respects the right and freedom of every employee to choose jobs, including freedom of employment, freedom to resign, freedom to work overtime and freedom of movement. The Group strictly prohibits any forms of forced labour, including contract labour and bonded labour, and never forces employees to work overtime. Employees have the right to form and join trade unions to safeguard their personal rights.

B5. Supply Chain Management

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

SUPPLIER APPOINTMENT

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

SUSTAINABLE SUPPLY CHAIN

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

The Group continues to pay attention to the policies implemented by the local governments where it operates. If the Group finds information on environmentally friendly products or services published by the official authorities, the Group will seriously consider adopting the recommendations of the official authorities to procure goods and services that have less impact on the environment during the product cycle.

GREEN OPERATION

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

During the Reporting Period, the breakdown of supplier by geographical regions were as follows:

Total number of suppliers by region	Number of Suppliers in FY 2021
Hong Kong	140
Asia region other than Hong Kong	112
Others (including Europe and America)	93

B6. Product Responsibility

The Group stresses heavily on the performance of its products, and has therefore formulated an array of policies to facilitate better quality products and services. The Group carefully manage and monitor the quality of our products. All products we sell are properly labelled to help us obtain the data through our tracking system. If there are quality issues with the products sold by the Group, the Group can record through the tracking system, which enables us to immediately identify the source of defects in the production process, identify the defective batch of products and recall the products as needed to rectify the issues and prevent recurrence in the future.

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

QUALITY MANAGEMENT

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

FAIR PROMOTION

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

CUSTOMER DATA PROTECTION

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

INTELLECTUAL PROPERTY RIGHTS

The Group endeavours to protect intellectual property rights. Intellectual properties and technical specifications of the Group and customers are protected and managed by a designated department. Employees shall not copy or disclose any information, including but not limited to designs, techniques and trade information, to third parties without the Group's consent.

AFTER-SALE SERVICE

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

The Group has received 4 product-related complaints and 2 service-related complaints during the Reporting Period. The Group designated staff to handle all complaints received promptly and review our procedures for any improvement to prevent recurring complaints.

B7. Anti-corruption

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

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

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

ANTI-CORRUPTION PRACTICES

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

Anti-corruption training helps to encourage a clean and honest working style, so that employees can be self-disciplined and dedicated. During the Reporting Period, the Directors and employees of the Group received a total of 736 hours of anti-corruption training.

CONFLICTS OF INTEREST

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

APPROVAL OF SERVICE CONTRACTS

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

WHISTLE-BLOWING MECHANISM

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

B8. Community Investment

ACTIVE COMMUNITY PARTICIPATION

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

During the Reporting Period, the Group has donated HK$253,000 to Shenzhen Nanshan Charity Federation (南山區慈善會), a district charity fund in Shenzhen. In addition, Sincere has donated HK$250,000 to the cultural, environmental and health sectors.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emission Control
KPI A1.1	The types of emissions and respective emissions data.	Emission Control – Air and Exhaust Gas Emissions
KPI A1.2	GHG emissions in total (in tonnes) and intensity.	Emission Control – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Waste Management – Hazardous Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management – Non-Hazardous Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emission Control – Air and Exhaust Gas Emissions; Emission Control – GHG Emissions; Waste Management – Hazardous Waste Management; Waste Management – Non-Hazardous Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Hazardous Waste Management; Non-Hazardous Waste Management

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity.	Use of Resources – Water Management
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Packaging Material (Not applicable – Explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards – Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards – Prevention of Child and Forced Labour

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility

Subject Areas, Aspects, General Disclosures and KPIs ("Comply and Explain")	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

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

OPINION

We have audited the consolidated financial statements of Realord Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 94 to 245, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with management judgment associated with determining the fair value. The Group's investment properties are situated in the People's Republic of China, Hong Kong and Grenada. As at 31 December 2021, the Group's investment properties amounting to HK$10,628,833,000 and represented 57% of the Group's total assets. As disclosed in note 20 to the consolidated financial statements, net gain on fair value changes of investment properties of HK$1,265,256,000 was recognised in profit or loss. All of the Group's investment properties are stated at fair values based on valuations performed by a firm of independent qualified professional valuers ("Valuer"). The valuations are dependent on certain significant unobservable inputs, including price/gross development value per square meter/bay/square feet/acre, which are determined based on comparable transactions after applying adjusting factors to reflect the conditions and locations of the subject properties. Details of the valuation methodologies and significant unobservable inputs used in the valuations are disclosed in note 20 to the consolidated financial statements.	Our procedures in relation to the valuation of investment properties included the following: • evaluated the competence, capabilities and objectivity of the Valuer; • obtained an understanding from the Valuer about the valuation methodologies, significant unobservable inputs and critical judgment on key inputs and data used in the valuations; • assessed the reasonableness of valuation methodologies used by the Valuer with the assistance from our valuation experts; • assessed the reasonableness of significant unobservable inputs used by the Valuer with the assistance from our valuation experts by comparing them to publicly available information of similar comparable properties; • evaluated the reasonableness of adjusting factors on the conditions and locations of the properties made by the Valuer with the assistance from our valuation experts by comparing them with historical adjusting factors applied, comparability and other market factors for similar properties; • obtained government documents and supporting evidences for the change in construction scale; and • performed site visit to the major investment properties.

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment assessment of properties under development	
We identified the impairment assessment of properties under development as a key audit matter due to the significance of the balance to the consolidated financial statements and the involvement of subjective judgment and management estimates in determining the net realisable value of these properties. As at 31 December 2021, the Group's properties under development amounting to HK$3,229,062,000. Management assessed whether properties under development have suffered any impairment in accordance with the accounting policy stated in note 3.25 to the consolidated financial statements. The net realisable value of these properties has been determined by management with assistance from a Valuer with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale.	Our procedures in relation to the impairment assessment of properties under development included the following: • obtained an understanding of the progress of the properties under development from management; • performed site visit to the properties under development; • evaluated the competence, capabilities and objectivity of the Valuer; • obtained an understanding from the Valuer about the valuation methodology and key assumptions used in the valuation; • involved our valuation experts to evaluate the methodology used to determine the net realisable value; • involved our valuation experts to assess the reasonableness of future costs to be incurred to completion; and • involved our valuation experts to assess the reasonableness of key assumptions used by management such as discount rate, gross development value per square meter/bay, development cost and developer's profit margin.

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment assessment of proposed development project	
We identified the impairment assessment of proposed development project as a key audit matter due to the significance of the balance to the consolidated financial statements and the involvement of subjective judgment and management estimates in evaluating the recoverable amount of the Group's proposed development project at the end of the reporting period. As at 31 December 2021, the Group's proposed development project amounting to HK$1,676,166,000. Management assessed whether proposed development project has suffered any impairment in accordance with the accounting policy stated in note 3.15 to the consolidated financial statements. The recoverable amount of cash-generating unit has been determined by management with assistance from a Valuer based on value in use calculation. The value in use calculation uses cash flow projection based on financial budgets approved by management which involves the use of judgement applied by management such as determining discount rate, price per square meter/bay, construction cost and gross margin.	Our procedures in relation to the impairment assessment of proposed development project included the following: • obtained an understanding of the progress of the proposed development project from management; • performed site visit to the proposed development project; • evaluated the competence, capabilities and objectivity of the Valuer; • obtained an understanding from the Valuer about the valuation methodology and key assumptions used in the value in use calculation; • involved our valuation experts to evaluate the methodology used to determine the value in use, and benchmarked the discount rates applied to other comparable companies in the same industry; and • involved our valuation experts to assess the reasonableness of key assumptions used by management such as discount rate, price per square meter/bay, construction cost and gross margin.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

31 March 2022

Ng Ka Kong
Practising Certificate No.: P06919

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5		
– Goods and services		**1,147,736**	834,364
– Rental income		**10,328**	10,888
– Interest		**37,015**	24,089
Total revenues		**1,195,079**	869,341
Cost of sales		**(922,294)**	(668,238)
Gross profit		**272,785**	201,103
Other income	7	**53,310**	43,317
Other gains and losses	8	**(117,619)**	(343,615)
Impairment losses, net	9	**(3,646)**	(27,255)
Gain on fair value changes of investment properties, net	20	**1,265,256**	2,463,416
Selling and distribution expenses		**(69,442)**	(12,110)
Administrative expenses		**(276,371)**	(244,504)
Finance costs	10	**(695,806)**	(630,382)
Profit before income tax		**428,467**	1,449,970
Income tax expense	11	**(312,533)**	(557,652)
Profit for the year	12	**115,934**	892,318
Attributable to:			
Owners of the Company		**122,197**	885,185
Non-controlling interests		**(6,263)**	7,133
		115,934	892,318
Earnings per share			
Basic (HK cents)	17	**8.49**	61.55
Diluted (HK cents)	17	**8.47**	61.52

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Profit for the year		**115,934**	892,318
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation		**9,054**	1,188
Income tax relating to gain on property revaluation		**258**	(297)
Changes in fair value of equity investments at fair value through other comprehensive income ("FVTOCI")		**828**	–
Actuarial gains on a defined benefit plan	24e	**4,524**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**262,271**	274,776
Other comprehensive income for the year, net of income tax		**276,935**	275,667
Total comprehensive income for the year		**392,869**	1,167,985
Attributable to:			
Owners of the Company		**368,069**	1,160,554
Non-controlling interests		**24,800**	7,431
		392,869	1,167,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**688,920**	447,153
Prepaid lease payments	19	**5,023**	4,977
Investment properties	20	**10,628,833**	11,839,176
Goodwill	21	**320,937**	87,390
Other intangible assets	22	**50,206**	43,396
Equity instruments at FVTOCI	23	**12,978**	8,899
Prepayments, deposits and other receivables	28	**181,138**	14,787
Pension scheme assets	24	**23,101**	–
		11,911,136	12,445,778
CURRENT ASSETS			
Inventories	25	**98,829**	36,538
Properties under development	26	**3,229,062**	–
Trade receivables	27	**355,226**	449,409
Receivables arising from securities broking	27	**290,443**	163,373
Loan receivables	27	**190,437**	157,053
Prepayments, deposits and other receivables	28	**405,167**	425,961
Proposed development project	29	**1,676,166**	1,634,083
Tax recoverable		**5,836**	4,121
Financial assets at fair value through profit or loss ("FVTPL")	30	**81,206**	15,297
Amounts due from related parties	40	**1,598**	–
Cash held on behalf of clients	31	**143,835**	119,538
Pledged bank balances and deposits	38i	**102,153**	–
Bank balances and cash	32	**229,645**	1,268,295
		6,809,603	4,273,668
Asset classified as held for sale	33	**26,646**	–
		6,836,249	4,273,668
CURRENT LIABILITIES			
Trade payables	34	**54,926**	34,819
Payables arising from securities broking	34	**148,176**	139,642
Contract liabilities	35	**13,183**	35,743
Insurance contracts liabilities	36	**1,174**	–
Other payables and accruals	37	**172,725**	168,699
Bank borrowings	38	**511,206**	722,366
Other loans	39	**2,203**	–
Amounts due to related parties	40	**109,238**	71,861
Lease liabilities	41	**62,294**	33,893
Tax payable		**7,502**	6,605
		1,082,627	1,213,628

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NET CURRENT ASSETS		**5,753,622**	3,060,040
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,664,758**	15,505,818
EQUITY			
Share capital	44	**143,971**	143,821
Reserves		**3,989,101**	3,361,642
Equity attributable to owners of the Company		**4,133,072**	3,505,463
Non-controlling interests		**1,132,207**	906,111
		5,265,279	4,411,574
NON-CURRENT LIABILITIES			
Deferred tax liabilities	42	**1,256,322**	914,565
Other payables and accruals	37	**4,663**	44,693
Loans from ultimate holding company	43	**1,127,196**	744,192
Bank borrowings	38	**9,967,718**	9,385,657
Other loans	39	**537**	–
Lease liabilities	41	**43,043**	5,137
		12,399,479	11,094,244
		17,664,758	15,505,818

Lin Xiaohui
Director

Su Jiaohua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital HK$'000 (note 44)	Share premium HK$'000	Share options reserve HK$'000 (note 45)	Statutory reserve HK$'000 (note a)	Capital reserve HK$'000 (note b)	Assets revaluation reserve HK$'000	Exchange translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2020	143,821	1,918,627	15,054	2,949	586,594	30,978	(565,982)	213,054	2,345,095	874,195	3,219,290
Profit for the year	–	–	–	–	–	–	–	885,185	885,185	7,133	892,318
Other comprehensive income/(expense) for the year:											
Gain on property revaluation	–	–	–	–	–	728	–	–	728	460	1,188
Income tax relating to gain on property revaluation	–	–	–	–	–	(182)	–	–	(182)	(115)	(297)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	274,823	–	274,823	(47)	274,776
Total comprehensive income for the year	–	–	–	–	–	546	274,823	885,185	1,160,554	7,431	1,167,985
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	(186)	(186)	24,485	24,299
Transactions with owners	–	–	–	–	–	–	–	(186)	(186)	24,485	24,299
As at 31 December 2020	143,821	1,918,627	15,054	2,949	586,594	31,524	(291,159)	1,098,053	3,505,463	906,111	4,411,574

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company											
	Share capital HK$'000 (note 44)	Share premium HK$'000	Share options reserve HK$'000 (note 45)	Statutory reserve HK$'000 (note a)	Capital reserve HK$'000 (note b)	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2021	143,821	1,918,627	15,054	2,949	586,594	31,524	-	(291,159)	1,098,053	3,505,463	906,111	4,411,574
Profit for the year	-	-	-	-	-	-	-	-	122,197	122,197	(6,263)	115,934
Other comprehensive income for the year:												
Gain on property revaluation	-	-	-	-	-	7,561	-	-	-	7,561	1,493	9,054
Income tax relating to gain on property revaluation	-	-	-	-	-	158	-	-	-	158	100	258
Changes in fair value of equity investments at FVTOCI	-	-	-	-	-	-	621	-	-	621	207	828
Actuarial gains on a defined benefit plan	-	-	-	-	-	-	-	-	3,417	3,417	1,107	4,524
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	234,115	-	234,115	28,156	262,271
Total comprehensive income for the year	-	-	-	-	-	7,719	621	234,115	125,614	368,069	24,800	392,869
Exercise of share options	150	6,015	(2,895)	-	-	-	-	-	2,895	6,165	-	6,165
Lapse of share options	-	-	(3,281)	-	-	-	-	-	3,281	-	-	-
Acquisition of subsidiaries (note 46)	-	-	-	-	-	-	-	-	-	-	94,736	94,736
Capital contribution from controlling shareholder (note 47)	-	-	-	-	228,893	-	-	-	-	228,893	97,189	326,082
Disposal of subsidiaries without loss of control (note 46)	-	-	-	-	24,482	-	-	-	-	24,482	9,371	33,853
Transactions with owners	150	6,015	(6,176)	-	253,375	-	-	-	6,176	259,540	201,296	460,836
As at 31 December 2021	143,971	1,924,642	8,878	2,949	839,969	39,243	621	(57,044)	1,229,843	4,133,072	1,132,207	5,265,279

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Operating activities			
Profit before income tax		**428,467**	1,449,970
Adjustments for:			
Amortisation for other intangible assets	22	**3,854**	2,788
Depreciation			
– Owned assets		**36,688**	25,517
– Right-of-use assets		**54,545**	33,158
– Prepaid lease payments		**128**	112
Exchange loss on loans from ultimate holding company		**26,975**	14,824
Exchange loss on bank borrowings		**–**	493,916
Finance costs	10	**695,806**	630,382
Bank interest income	7	**(15,930)**	(26,531)
Imputed interest income on gift receivable from Win Dynamic Limited ("Win Dynamic")	7	**(9,314)**	–
Dividend income	7	**(4,074)**	(219)
Interest income from margin financing	5	**(19,269)**	(13,421)
Interest income on credit-impaired loan receivables	7	**(7,818)**	(7,062)
Claim from legal case	7	**(13,888)**	–
Gain on fair value changes of investment properties, net	20	**(1,265,256)**	(2,463,416)
Impairment losses, net	9	**3,646**	27,255
Impairment of property, plant and equipment		**1,992**	–
(Gain)/Loss on disposal of property, plant and equipment	8	**(394)**	58
Revaluation (surplus)/deficit on property, plant and equipment	8	**(23,396)**	23,369
Unrealised fair value loss on financial assets at FVTPL	8	**3,025**	4,353
Covid-19-related rent concessions		**(5,237)**	–
Operating cash flows before movements in working capital		**(109,450)**	195,053
(Increase)/Decrease in inventories		**(19,673)**	30,524
Decrease/(Increase) in trade receivables		**86,250**	(133,003)
Increase in receivables arising from securities broking		**(125,202)**	(75,839)
Increase in loan receivables		**(29,320)**	(177,679)
Decrease/(Increase) in prepayments, deposits and other receivables		**161,380**	(69,184)
Increase in proposed development project		**–**	(8,534)
Increase in financial assets at FVTPL		**(58,492)**	(5,520)
Increase in cash held on behalf of clients		**(24,297)**	(113,246)
Decrease in pension scheme assets		**1,008**	–
Decrease in trade payables		**(12,667)**	(20,541)
Increase in payables arising from securities broking		**8,534**	122,789
(Decrease)/Increase in contract liabilities		**(31,861)**	30,602
(Decrease)/Increase in other payables and accruals		**(58,575)**	58,198
Decrease in insurance contracts liabilities		**(119)**	–
Cash used in operations		**(212,484)**	(166,380)
Interest received		**19,269**	13,421
Income taxes paid		**(5,224)**	(14,694)
Net cash used in operating activities		**(198,439)**	(167,653)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Investing activities			
Acquisition of subsidiaries	46	**(298,828)**	–
Capital contribution from controlling shareholder	47	**1,146**	–
Purchase of property, plant and equipment		**(11,405)**	(22,961)
Payment for acquisition of an equity investment	23	**–**	(8,899)
Additions to investment properties	20	**(42,177)**	–
Proceeds from disposal of property, plant and equipment		**873**	85
Proceeds from repayment of other receivables from a local government authority		**20,788**	18,841
Proceeds from claim of legal case	37b	**42,843**	–
Bank interest received		**15,930**	26,531
Dividend received		**4,074**	219
Increase in pledged bank balances and deposits		**(114)**	–
Net cash (used in)/from investing activities		**(266,870)**	13,816
Financing activities			
New bank borrowings raised		**800,165**	1,984,979
Loans from ultimate holding company		**542,353**	3,434,748
Proceeds from related parties		**53,317**	–
Repayment of other loans		**(151,953)**	–
Repayment of bank borrowings		**(874,273)**	(553,189)
Repayment to ultimate holding company		**(186,324)**	(3,393,068)
Repayment to related parties		**(36,656)**	(1,549)
Payment of lease liabilities		**(77,740)**	(33,064)
Proceeds from disposal of subsidiaries without loss of control		**33,853**	–
Proceeds from issue of shares to non-controlling interests		**–**	24,485
Proceeds from exercise of share options		**6,165**	–
Interest paid		**(693,337)**	(628,042)
Net cash (used in)/from financing activities		**(584,430)**	835,300
Net (decrease)/increase in cash and cash equivalents		**(1,049,739)**	681,463
Cash and cash equivalents at the beginning of the year		**1,268,295**	565,052
Effect of changes in foreign exchange rates		**11,089**	21,780
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**229,645**	1,268,295

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Manureen Holdings, a private limited company incorporated in the British Virgin Islands ("BVI"). The ultimate shareholders of Manureen Holdings are Dr. Lin and Madam Su, who own 70% and 30% equity interests of Manureen Holdings, respectively. Dr. Lin is also the chairman and an executive director of the Company and Madam Su is an executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 58.

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

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

The consolidated financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 31 March 2022.

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

Amendments to HKFRSs that are effective for the current year

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

Amendments to HKFRSs that are effective for the current year (Continued)

In addition, on 1 January 2021, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" which is mandatorily effective for the Group for financial year beginning on or after 1 April 2021.

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

Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" and Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

Amendments to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the Covid-19 ("Covid-19-Related Rent Concessions") are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The practical expedient is only applicable to Covid-19-Related Rent Concessions and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has elected to early adopt the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" and applied the practical expedient to all qualifying Covid-19-Related Rent Concessions granted to the Group during the current year.

Consequently, rent concessions of HK$5,237,000 received have been recognised in "Administrative expenses" in profit or loss in the period in which the event or condition that triggers those payments occurred.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Non-current assets held for sale are stated the lower of carrying amount and fair value less costs to sell.

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

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

- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs; and

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries made up to 31 December each year. Control is achieved when the Company:

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

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

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

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

3.2 Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combinations (Continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combinations (Continued)

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

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

3.3 Acquisition of a subsidiary not constituting a business

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

3.4 Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Goodwill (Continued)

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

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

3.5 Non-current assets held for sale

Non-current assets that are highly probable to be recovered principally through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.6 Revenue

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Revenue (Continued)

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases

Definition of a lease and the Group as a lessee

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

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

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

Measurement and recognition of leases as a lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases (Continued)

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

Measurement and recognition of leases as a lessee (Continued)

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

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

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

The Group remeasures lease liabilities whenever:

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

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

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases (Continued)

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

Measurement and recognition of leases as a lessee (Continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases (Continued)

The Group as a lessor

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

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

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

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

Prepaid lease payments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Borrowing costs

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

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

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

3.10 Employee benefits

Retirement benefit costs

The Group participates in defined contribution retirement schemes for its employees in Hong Kong, the PRC and Japan. The Mandatory Provident Fund Schemes participated by the Group in Hong Kong (the "MPF Schemes") are registered under and comply with the Mandatory Provident Fund Schemes Ordinance. The assets of these schemes are held in separate trustee-administered funds. The Group and its employees are each required to make contributions to the MPF Schemes at 5% of the employees' relevant income and capped at HK$1,500 per month. The employees of the Group's subsidiaries in the PRC and Japan are members of the state-managed retirement benefit schemes operated by the respective government. The Company's subsidiaries in the PRC and Japan are required to contribute a certain percentage of their employees' payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. The Group has no legal constructive obligations to pay further contributions.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Employee benefits (Continued)

Retirement benefit costs (Continued)

In addition, the Group also operates a funded final salary defined benefit pension scheme (the "Pension Scheme") for those employees of certain subsidiaries who are eligible to participate in the Pension Scheme.

An actuarial estimate is made annually by a firm of independent qualified professional actuary, using the projected unit credit actuarial valuation method, of the present value of the Group's future defined benefit obligation under the Pension Scheme earned by the employees at the end of the reporting period. The assets contributed by the Group to the Pension Scheme are held separately from the assets of the Group in an independently administered fund, and are valued at their fair value at the end of the reporting period.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "Administrative expenses" in profit or loss by function.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Employee benefits (Continued)

Short-term employee benefits

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

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

Share-based payment arrangements

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

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

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

3.11 Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Taxation (Continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Taxation (Continued)

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

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

3.12 Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Investment properties

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Intangible assets (other than goodwill)

Intangible assets acquired in a business combination

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

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

Trademark	5–10 years

Licenses acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses as described in note 3.15.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Impairment on tangible and intangible assets other than goodwill

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3.16 Inventories

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

3.17 Provisions and contingent liabilities

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

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

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments

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

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

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

(ii) Equity instruments designated at FVTOCI

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

(i) Significant increase in credit risk

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

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

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

Derecognition of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

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

3.19 Government grants

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Cash and cash equivalents

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

3.22 Share capital

Ordinary shares are classified as equity.

3.23 Product classification – Insurance contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remaining of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

3.24 Insurance contracts liabilities

Life insurance contracts liabilities

Life insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. The provision for life insurance contracts consists of outstanding claims and the life reserve.

Life reserve

Life reserve represents a reserve to cover unexpired risk of life insurance policies and is valued by an independent actuary. The resultant surplus or deficit is transferred to or from profit or loss.

3.25 Properties under development

Properties under development which are intended to be sold upon completion of development are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development are transferred to properties for sale upon completion.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 Critical judgments in applying accounting policies

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

Recognition of gift receivable from Win Dynamic

The gift receivable from Win Dynamic amounting to HK$150,001,000, being the fair value of the WD Proceeds (as defined in note 49) which is determined based on a credit-adjusted effective interest rate of 9.66%, is initially recognised by Sincere (as defined in note 46) upon the acceptance of the Offer (as defined in note 49) by Win Dynamic. Management of Sincere considers that such recognition is supported by the legal advices as disclosed in note 49 and determined by the basis of various assumptions when estimating the timing and the ECL of gift receivable from Win Dynamic, which includes forward-looking scenarios and their likelihoods, counterparty's credit rating and probability of default and recovery rate. As at 31 December 2021, the carrying amount of gift receivable from Win Dynamic amounting to HK$158,870,000 (net of ECL allowance of HK$445,000). Details of which are set out in note 49.

Deferred taxation on investment properties

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

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

4.2 Key sources of estimation uncertainty

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

Valuation of investment properties

The Group's investment properties are situated in the PRC, Hong Kong and Grenada. As at 31 December 2021, the Group's investment properties amounting to HK$10,628,833,000 (2020: HK$11,839,176,000) and represented 57% (2020: 71%) of the Group's total assets. As disclosed in note 20, net gain on fair value changes of investment properties of HK$1,265,256,000 (2020: HK$2,463,416,000) was recognised in profit or loss. All of the Group's investment properties are stated at fair values based on valuations performed by a firm of independent qualified professional valuers. The valuations are dependent on certain significant unobservable inputs, including price/gross development value ("GDV") per square meter/bay/square feet/acre, which are determined based on comparable transactions after applying adjusting factors to reflect the conditions and locations of the subject properties. Details of the valuation methodologies and the significant unobservable inputs used in the valuations are disclosed in note 20.

Impairment assessment on properties under development

As at 31 December 2021, the Group's properties under development amounting to HK$3,229,062,000 (2020: Nil). The Group assesses whether properties under development have suffered any impairment in accordance with accounting policy stated in note 3.25 to the consolidated financial statements.

These properties are carried at the lower of cost and net realisable value. Significant management judgment is required in determining the net realisable values of these properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale. Impairment loss is made when events or changes in circumstances indicate that the carrying amount of properties under development may not be realised.

Management expects that any reasonable possible change in the key assumptions on which the net realisable value is based would not cause the carrying amount of properties under development to exceed its net realisable value.

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

4.2 Key sources of estimation uncertainty (Continued)

Impairment assessment on proposed development project

As at 31 December 2021, the Group's proposed development project amounting to HK$1,676,166,000 (2020: HK$1,634,083,000). The Group assesses whether proposed development project has suffered any impairment in accordance with accounting policy stated in note 3.15 to the consolidated financial statements. The recoverable amount of CGU has been determined based on value in use or its fair value less cost of disposal, whichever is higher, and both bases require the Group to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

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

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

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

As at 31 December 2021, the carrying amount of trade receivables, receivables arising from securities broking and loan receivables amounting to HK$355,226,000 (2020: HK$449,409,000), HK$290,443,000 (2020: HK$163,373,000) and HK$190,437,000 (2020: HK$157,053,000), respectively (net of ECL allowance of HK$19,443,000 (2020: HK$11,019,000), HK$88,000 (2020: HK$1,956,000) and HK$16,562,000 (2020: HK$20,626,000), respectively). The information about the ECL and the Group's trade receivables, receivables arising from securities broking and loan receivables are disclosed in notes 27 and 55b, respectively.

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

4.2 Key sources of estimation uncertainty (Continued)

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

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

Details of impairment assessment of goodwill and other intangible assets with indefinite useful lives are disclosed in notes 21 and 22, respectively.

Estimation of impairment of property, plant and equipment

Management conducted an impairment review of certain CGUs of the Group where there were indicators of impairment by considering the recoverable amounts of the relevant CGUs. Management identifies individual department store as a CGU for the purpose of impairment assessment. The amount of any impairment loss was measured as the difference between the CGU's carrying amount and its recoverable amount.

The recoverable amount is the higher of value in use and fair value less costs of disposal. Value in use is the estimated future cash flows, based on key assumptions including expected growth or deterioration rate, discounted to their present values using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where the actual future cash flows are less or more than expected, or there are unfavourable changes in facts and circumstances which result in downward revision of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise. The calculation of the fair value less costs of disposal is based on available data from market rent and discounted to the net present value of market rent less any costs to transform or restoration.

Details of impairment assessment of property, plant and equipment are disclosed in note 18.

5. REVENUE

The Group recognises revenue from the following major sources:

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

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

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

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

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

5. REVENUE (Continued)

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

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

(viii) Revenue from sale of goods at the department stores is recognised at a point in time when the control of goods has been transferred to customers upon purchase the goods at the department stores; and

(ix) Revenue from commission income from counter and consignment sale at the department stores is recognised at a point in time and based on certain percentage of sales made by the customers in accordance with the terms of contracts.

5. REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customers

Type of goods and services	Property HK$'000	Financial services HK$'000	Environmental protection HK$'000	Motor vehicle parts HK$'000	Commercial printing HK$'000	Hangtag HK$'000	Department store HK$'000	Total HK$'000
Year ended 31 December 2021								
Sales of goods								
– Motor vehicle parts	–	–	–	216,163	–	–	–	216,163
– Scrap materials	–	–	672,848	–	–	–	–	672,848
– Hangtags, labels, shirt paper boards and plastic bags	–	–	–	–	–	187	–	187
– Department store goods	–	–	–	–	–	–	71,842	71,842
	–	–	672,848	216,163	–	187	71,842	961,040
Rendering of services								
– Printing services	–	–	–	–	58,307	–	–	58,307
– Financial services	–	59,528	–	–	–	–	–	59,528
– Commission income from securities broking	–	46,100	–	–	–	–	–	46,100
– Commission income from counter and consignment sales	–	–	–	–	–	–	22,761	22,761
Revenue from contracts with customers	–	105,628	672,848	216,163	58,307	187	94,603	1,147,736
Revenue from gross rental income	9,887	–	–	–	–	–	441	10,328
Revenue from interest income from margin financing	–	19,269	–	–	–	–	–	19,269
Revenue from interest income from money lending business	–	17,746	–	–	–	–	–	17,746
Total	9,887	142,643	672,848	216,163	58,307	187	95,044	1,195,079
Geographical markets								
The PRC	9,596	–	366,285	16,950	–	–	–	392,831
Hong Kong	291	142,643	91,270	199,213	58,307	187	94,918	586,829
Japan	–	–	211,760	–	–	–	–	211,760
Other countries	–	–	3,533	–	–	–	126	3,659
Total	9,887	142,643	672,848	216,163	58,307	187	95,044	1,195,079
Timing of revenue recognition								
A point in time	–	46,100	672,848	216,163	–	187	94,603	1,029,901
Over time	–	59,528	–	–	58,307	–	–	117,835
Revenue out of the scope of HKFRS 15								
Rental income	9,887	–	–	–	–	–	441	10,328
Interest income	–	37,015	–	–	–	–	–	37,015
Total	9,887	142,643	672,848	216,163	58,307	187	95,044	1,195,079

5. REVENUE (Continued)

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

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

5. REVENUE (Continued)

(b) Performance obligations for contracts with customers

(i) Sales of goods

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

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

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

5. REVENUE (Continued)

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

(i) Sales of goods (Continued)

The Group sells consumer products directly to customers at the department stores. Revenue from sale of goods at the department stores is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the department stores. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Some contracts for the sale of goods provide customers with rights of return. The rights of return give rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Counter and consignment sales

The Group's commission income from counter and consignment sale at the department stores is recognised at a point in time and based on certain percentage of sales in accordance with the terms of contracts. The Group receives the entire sales proceeds from ultimate customers on behalf of the counters and consignors and reimburses the sales proceeds back to counters and consignors after deducting the commission income.

(iii) Provision for loyalty points programme

For sale of goods at the department stores, the performance obligation is satisfied upon utilisation of loyalty points. The Group allocated a portion of the transaction prices to the loyalty programme which is based on the relative standalone selling price. The transaction price of HK$2,119,000 (2020: Nil) was allocated to the remaining performance obligations as at 31 December 2021 which are expected to be recognised as revenue within one year.

5. REVENUE (Continued)

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

(iv) Rendering of brokerage transaction services

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

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

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

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

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

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

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

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

6. SEGMENT INFORMATION

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

During the year ended 31 December 2021, the Group has two new operating segments as "Department Store Segment" and "Latin America and the Caribbean Segment" ("LAC Segment") through business combination and capital contribution from controlling shareholder. Further details are set out in notes 46 and 47.

The Group is organised into business units based on their products and services and has eight (2020: six) operating segments as follows:

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

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

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

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

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

(vi) operation of department stores offering a wide range of consumer products, comprises of sale of goods, income from counter and consignment sale and the revenue from other sources, including securities trading, rental income from sublease of properties and the provision of general and life insurances ("Department Store Segment");

(vii) development of project in Grenada which integrates a collection of international school campuses, apartments for student, commercial complex, hotel resorts, residential villas and other ancillary facilities ("LAC Segment"); and

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

The CODM classified the LAC Segment as an operating segment from 31 December 2021 when the Group acquired 70.5% equity interests in Caribbean Education Industry Group Limited and its subsidiaries ("Caribbean Group") from Dr. Lin. Hangtag Segment does not meet any quantitative thresholds for reportable segment but this segment is separately disclosed as the CODM considers that the information about the segment would be useful to users of the consolidated financial statements.

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results

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

	Property	Financial services	Environmental protection	Motor vehicle parts	Commercial printing	Hangtag	Department store	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2021								
Segment revenue								
Sales to external customers	9,887	142,643	672,848	216,163	58,307	187	95,044	1,195,079
Inter-segment sales	2,520	19,238	–	–	1,561	–	–	23,319
	12,407	161,881	672,848	216,163	59,868	187	95,044	1,218,398
Elimination of inter-segment sales								(23,319)
Revenue								1,195,079
Segment results	792,282	45,917	9,392	8,679	(4,063)	(145)	(19,165)	832,897
Unallocated								
Bank interest income								15,930
Other income								1,084
Net foreign exchange loss								(139,021)
Unrealised fair value loss on financial assets at FVTPL								(3,025)
Revaluation surplus on property, plant and equipment								23,396
Realised gain on disposal of financial assets at FVTPL								637
Claim for legal case								13,888
Corporate expenses								(64,342)
Finance costs								(252,977)
Profit before income tax								428,467

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

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

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

Inter-segment sales are charged at prevailing market rates.

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

(b) Segment assets and liabilities

	Property HK$'000	Financial services HK$'000	Environmental protection HK$'000	Motor vehicle parts HK$'000	Commercial printing HK$'000	Hangtag HK$'000	Department store HK$'000	LAC HK$'000	Total HK$'000
As at 31 December 2021									
Segment assets	**15,679,437**	**858,871**	**456,644**	**145,921**	**16,818**	**41**	**916,932**	**356,496**	**18,431,160**
Corporate and unallocated assets									**316,225**
Total assets									**18,747,385**
Segment liabilities	**6,699,762**	**304,165**	**66,403**	**26,328**	**19,865**	**22**	**317,223**	**31,560**	**7,465,328**
Corporate and unallocated liabilities									**6,016,778**
Total liabilities									**13,482,106**
As at 31 December 2020									
Segment assets	13,706,570	647,175	528,257	122,295	23,133	127	–	–	15,027,557
Corporate and unallocated assets									1,691,889
Total assets									16,719,446
Segment liabilities	7,232,905	155,443	127,289	21,746	30,882	25	–	–	7,568,290
Corporate and unallocated liabilities									4,739,582
Total liabilities									12,307,872

6. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

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

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

(c) Other segment information

	Property	Financial services	Environmental protection	Motor vehicle parts	Commercial printing	Hangtag	Department store	LAC	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2021										
Amounts included in the measure of segment profit or loss or segment assets:										
Depreciation										
– Owned assets	15,441	734	12,880	120	808	77	3,596	–	3,032	36,688
– Right-of-use assets	–	5,903	1,370	201	9,762	–	27,322	–	9,987	54,545
Gain on fair value changes of investment properties, net	(1,265,256)	–	–	–	–	–	–	–	–	(1,265,256)
(Reversal of impairment losses)/ Impairment losses, net	(71)	(4,678)	6,364	2,465	(888)	6	448	–	–	3,646
Revaluation surplus on property, plant and equipment	(23,396)	–	–	–	–	–	–	–	–	(23,396)
Loss/(Gain) on disposal of property, plant and equipment	–	–	105	–	–	–	(499)	–	–	(394)
Capital expenditure (note)	79,174	1,240	22,336	–	1,349	–	247,650	347,784	–	699,533
Interest expense	442,829	–	–	–	–	–	–	–	252,977	695,806
Interest income	–	(7,818)	–	–	–	–	(9,314)	–	(15,930)	(33,062)
Income tax expense/(credit)	309,721	1,389	943	496	146	(1)	(161)	–	–	312,533

6. SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

	Property HK$'000	Financial services HK$'000	Environmental protection HK$'000	Motor vehicle parts HK$'000	Commercial printing HK$'000	Hangtag HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2020								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation								
– Owned assets	11,343	709	4,208	548	884	156	7,669	25,517
– Right-of-use assets	–	5,903	4,598	2,277	10,393	–	9,987	33,158
Gain on fair value changes of investment properties, net	(2,463,416)	–	–	–	–	–	–	(2,463,416)
Impairment losses/(Reversal of impairment losses), net	(146)	22,537	3,269	98	1,496	1	–	27,255
Revaluation deficit on property, plant and equipment	23,833	–	–	–	–	–	(464)	23,369
Loss on disposal of property, plant and equipment	–	–	58	–	–	–	–	58
Capital expenditure (note)	1,224	907	31,002	–	458	–	1,569	35,160
Interest expense	281,849	3,933	3,140	277	394	–	340,789	630,382
Interest income	–	(7,081)	–	–	–	–	(26,512)	(33,593)
Income tax (credit)/expense	558,910	(3,786)	2,630	261	(247)	–	(116)	557,652

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

6. SEGMENT INFORMATION (Continued)

(d) Geographical information

(i) Revenue from external customers

	2021 HK$'000	2020 HK$'000
The PRC	**392,831**	427,550
Hong Kong	**586,829**	340,867
Japan	**211,760**	98,484
Other countries	**3,659**	2,440
	1,195,079	869,341

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

(ii) Non-current assets

	2021 HK$'000	2020 HK$'000
The PRC	**9,766,016**	11,362,377
Hong Kong	**1,906,883**	1,032,046
Japan	**21,020**	27,669
	11,693,919	12,422,092

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

(e) Information about major customers

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

	2021 HK$'000	2020 HK$'000
Customer A[1]	**190,594**	N/A*
Customer B[1]	**132,997**	192,010
Customer C[1]	**125,330**	N/A*

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

7. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Bank interest income	**15,930**	26,531
Dividend income	**4,074**	219
Imputed interest income on gift receivable from Win Dynamic (note 49)	**9,314**	–
Interest income on credit-impaired loan receivables	**7,818**	7,062
Government grants (note)	**344**	6,921
Claim for legal case (note 37b)	**13,888**	–
Others	**1,942**	2,584
	53,310	43,317

Note:

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

8. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Gain/(Loss) on disposal of property, plant and equipment	**394**	(58)
Unrealised fair value loss on financial assets at FVTPL	**(3,025)**	(4,353)
Realised gain on disposal of financial assets at FVTPL	**637**	2,797
Net foreign exchange loss	**(139,021)**	(318,632)
Revaluation surplus/(deficit) on property, plant and equipment	**23,396**	(23,369)
	(117,619)	(343,615)

9. IMPAIRMENT LOSSES, NET

	2021 HK$'000	2020 HK$'000
(Impairment losses)/Reversal of impairment losses, net, recognised on:		
– trade receivables	**(9,133)**	(4,682)
– receivables arising from securities broking	**1,868**	(1,947)
– loan receivables	**4,064**	(20,626)
– other receivables (note 49)	**(445)**	–
	(3,646)	(27,255)

Details of impairment assessment for the years ended 31 December 2021 and 2020 are set out in note 55b.

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings and overdrafts	**617,059**	541,618
Interest on other loans	**1,132**	–
Interest on loans from ultimate holding company	**70,023**	85,233
Finance charges on lease liabilities	**5,123**	1,191
Imputed interest on deferred consideration	**2,469**	2,340
	695,806	630,382

11. INCOME TAX EXPENSE

Hong Kong

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2021 and 2020.

The PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Japan

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate for these taxes is 29% for the years ended 31 December 2021 and 2020.

	2021	2020
	HK$'000	HK$'000
Current tax		
Hong Kong		
– Charge for the year	**2,828**	2,850
– Under/(Over) provision in prior years	**834**	(269)
The PRC		
– Charge for the year	**–**	1
– Over provision in prior years	**–**	(3)
Japan		
– Charge for the year	**840**	1,268
	4,502	3,847
Deferred tax		
– Charge for the year (note 42)	**308,031**	553,805
Income tax expense	**312,533**	557,652

11. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to profit before income tax at applicable tax rates:

	2021 HK$'000	2020 HK$'000
Profit before income tax	**428,467**	1,449,970
Income tax calculated at the rates applicable in the tax jurisdictions concerned	**118,530**	407,187
– Tax effect of non-taxable income	**(72,447)**	(74,198)
– Tax effect of non-deductible expenses	**54,411**	86,889
– Tax effect of tax losses not recognised	**218,896**	143,257
– Utilisation of tax losses previously not recognised	**(4,145)**	(2,555)
– Tax arising from fair value changes of investment properties	**–**	(819)
– Under/(Over) provision in prior years	**834**	(272)
– Others	**(3,546)**	(1,837)
Income tax expense	**312,533**	557,652

12. PROFIT FOR THE YEAR

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

	2021 HK$'000	2020 HK$'000
Depreciation		
– Owned assets	**36,688**	25,517
– Right-of-use assets	**54,545**	33,158
– Prepaid lease payments	**128**	112
Amortisation of other intangible assets	**3,854**	2,788
Impairment of property, plant and equipment	**1,992**	–
Direct operating expenses (including repair and maintenance):		
– Arising from leased investment properties	**1,247**	137
– Arising from vacant investment properties	**2,104**	1,065
Short-term leases payments	**2,619**	1,888
Auditor's remuneration	**5,400**	3,681
Employee benefits expense (including directors' emoluments)		
– Wages and salaries	**135,085**	109,379
– Discretionary bonuses	**11,970**	13,110
– Pension scheme contributions (note)	**7,088**	3,978
Cost of inventories recognised as expenses	**865,854**	643,159
(Claim)/Compensation for legal case (note 37b)	**(13,888)**	13,840
Covid-19-related rent concessions (note 53)	**(5,237)**	–

Note: As at 31 December 2021, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2020: Nil).

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	2021	2020
	HK$'000	HK$'000
Fees	**408**	432
Other emoluments:		
– Salaries, allowances and benefits in kind	**12,120**	12,120
– Discretionary bonuses	**36**	36
– Pension scheme contributions	**54**	54
	12,210	12,210
	12,618	12,642

(a) Executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2021					
Executive directors:					
Dr. Lin	**–**	**6,120**	**–**	**18**	**6,138**
Madam Su	**–**	**2,400**	**–**	**18**	**2,418**
Mr. Lin Xiaodong	**–**	**3,600**	**–**	**18**	**3,618**
	–	**12,120**	**–**	**54**	**12,174**
Year ended 31 December 2020					
Executive directors:					
Dr. Lin	–	6,120	–	18	6,138
Madam Su	–	2,400	–	18	2,418
Mr. Lin Xiaodong	–	3,600	–	18	3,618
	–	12,120	–	54	12,174

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(b) Independent non-executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2021					
Independent non-executive directors:					
Mr. Yu Leung Fai	**151**	**–**	**12**	**–**	**163**
Mr. Fang Jixin	**151**	**–**	**12**	**–**	**163**
Dr. Li Jue (note a)	**106**	**–**	**12**	**–**	**118**
Mr. Ho Chun Chung Patrick (note b)	**–**	**–**	**–**	**–**	**–**
	408	**–**	**36**	**–**	**444**
Year ended 31 December 2020					
Independent non-executive directors:					
Mr. Yu Leung Fai	144	–	12	–	156
Mr. Fang Jixin	144	–	12	–	156
Dr. Li Jue	144	–	12	–	156
	432	–	36	–	468

Notes:

a) Resigned on 15 September 2021.

b) Appointed on 8 March 2022.

Included in the financial assets at FVTPL is a school debenture amounting to HK$6,000,000 (2020: HK$5,560,000) for the use by Dr. Lin's dependant.

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

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

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

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

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

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

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

14. TRANSACTIONS, ARRANGEMENTS OR CONTRACTS IN WHICH DIRECTORS OF THE COMPANY HAVE MATERIAL INTERESTS

Details of the material connected transactions and related party transactions are set out in the "Report of the Directors" and note 52 to the consolidated financial statements.

Save for the above, no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in 2021 was a director of the Company or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year or at the end of 2021.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2020: two) directors, details of whose emoluments are set out in note 13 above.

Details of the emoluments for the current year of the remaining three (2020: three) highest paid employees who are not directors of the Company are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**10,411**	8,317
Discretionary bonuses	**2,000**	9,500
Pension scheme contributions	**168**	230
	12,579	18,047

15. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Number of employees	
	2021	2020
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	1
HK$6,000,001 to HK$6,500,000	**–**	1
HK$6,500,001 to HK$7,000,000	**–**	1
	3	3

16. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

17. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on:

	2021	2020
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share calculation (profit attributable to owners of the Company)	**122,197**	885,185

	Number of shares	
	2021	2020
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share calculation	**1,438,485,222**	1,438,209,880
Effect of dilutive potential ordinary shares:		
– Share options	**3,690,501**	683,171
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share calculation	**1,442,175,723**	1,438,893,051

18. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Yacht HK$'000	Total HK$'000
As at 1 January 2020									
Cost	87,234	–	5,961	4,226	13,436	12,213	30,464	21,680	175,214
Valuation	–	398,945	–	–	–	–	–	–	398,945
Accumulated depreciation and impairment	(28,219)	–	(5,741)	(2,972)	(10,500)	(10,557)	(20,149)	(7,588)	(85,726)
Net carrying amount	59,015	398,945	220	1,254	2,936	1,656	10,315	14,092	488,433
Year ended 31 December 2020									
Opening net carrying amount	59,015	398,945	220	1,254	2,936	1,656	10,315	14,092	488,433
Additions	9,872	–	18,070	493	1,142	1,391	1,865	–	32,833
Disposals	–	–	(65)	(71)	(7)	–	–	–	(143)
Depreciation	(33,158)	(14,875)	(1,632)	(81)	(854)	(1,537)	(4,370)	(2,168)	(58,675)
Lease modification	2,327	–	–	–	–	–	–	–	2,327
Lease termination	(97)	–	–	–	–	–	–	–	(97)
Loss on revaluation, net	–	(22,181)	–	–	–	–	–	–	(22,181)
Exchange realignment	272	3,790	350	50	66	81	47	–	4,656
Closing net carrying amount	38,231	365,679	16,943	1,645	3,283	1,591	7,857	11,924	447,153
As at 31 December 2020 and 1 January 2021									
Cost	97,106	27,814	24,261	4,854	18,466	13,831	30,783	21,680	238,795
Valuation	–	379,021	–	–	–	–	–	–	379,021
Accumulated depreciation and impairment	(58,875)	(41,156)	(7,318)	(3,209)	(15,183)	(12,240)	(22,926)	(9,756)	(170,663)
Net carrying amount	38,231	365,679	16,943	1,645	3,283	1,591	7,857	11,924	447,153
Year ended 31 December 2021									
Opening net carrying amount	**38,231**	**365,679**	**16,943**	**1,645**	**3,283**	**1,591**	**7,857**	**11,924**	**447,153**
Additions	**509**	**–**	**5,633**	**494**	**1,593**	**3,533**	**152**	**–**	**11,914**
Acquisition of subsidiaries (note 46)	**38,443**	**186,000**	**–**	**–**	**7**	**89**	**–**	**–**	**224,539**
Capital contribution from controlling shareholder (note 47)	**1,997**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,997**
Disposals	**–**	**–**	**(414)**	**–**	**(65)**	**–**	**–**	**–**	**(479)**
Depreciation	**(54,545)**	**(24,004)**	**(1,928)**	**(547)**	**(1,108)**	**(2,354)**	**(4,579)**	**(2,168)**	**(91,233)**
Lease modification	**62,455**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**62,455**
Lease termination	**(109)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(109)**
Gain on revaluation, net	**–**	**32,450**	**–**	**–**	**–**	**–**	**–**	**–**	**32,450**
Impairment	**(1,992)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,992)**
Exchange realignment	**(460)**	**2,246**	**152**	**99**	**82**	**84**	**22**	**–**	**2,225**
Closing net carrying amount	**84,529**	**562,371**	**20,386**	**1,691**	**3,792**	**2,943**	**3,452**	**9,756**	**688,920**
As at 31 December 2021									
Cost	**200,401**	**25,619**	**29,480**	**5,348**	**20,001**	**17,453**	**30,935**	**21,680**	**350,917**
Valuation	**–**	**599,666**	**–**	**–**	**–**	**–**	**–**	**–**	**599,666**
Accumulated depreciation and impairment	**(115,872)**	**(62,914)**	**(9,094)**	**(3,657)**	**(16,209)**	**(14,510)**	**(27,483)**	**(11,924)**	**(261,663)**
Closing net carrying amount	**84,529**	**562,371**	**20,386**	**1,691**	**3,792**	**2,943**	**3,452**	**9,756**	**688,920**

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Right-of-use assets	Over the lease terms
Leasehold land and buildings	2% to 4% or over the lease terms, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	10–20%
Office equipment	20%
Leasehold improvements	20% or over the lease terms, whichever is shorter
Motor vehicles	16–25%
Yacht	10%

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

Impairment assessment of property plant and equipment

Management identified certain department stores which continued to underperform and estimated the recoverable amounts of these department stores, where each of these is a separate CGU. The recoverable amount of each CGU has been determined based on value in use or fair value less costs of disposal, whichever is higher.

Based on the value in use calculation, the carrying amounts of certain right-of-use assets of such department stores were written down by HK$822,000 during the year ended 31 December 2021. As at 31 December 2021, the aggregate recoverable amount of these right-of-use assets was HK$100,318,000. The estimate of the recoverable amount of each CGU was determined by applying a discount rate of 10.7% to the cash flow projections.

In addition, management also estimated the recoverable amounts of certain right-of-use assets of such department stores by using fair value less costs of disposal based on valuations performed by Castores Magi (Hong Kong) Limited and Valtech Valuation Advisory Limited, the independent qualified professional valuers. Based on the fair value less costs of disposal, the carrying amounts of these right-of-use assets were written down by HK$1,170,000. The fair value measurements of these right-of-use assets are categorised in Level 3.

Below is a summary of the valuation technique used and the key inputs to the valuations of these right-of-use assets:

Valuation technique	**Significant unobservable input**	**Range**
Discounted cash flow method	Estimated rental value (per square feet and per month)	HK$30 to HK$69
	Discount rate	9.6%

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Roma Appraisals Limited, a firm of independent qualified professional valuers, at an aggregate market value of HK$562,371,000 (2020: HK$363,840,000) based on their fair values. A revaluation surplus of HK$23,396,000 (2020: deficit of HK$23,369,000) resulting from the above valuations has been recognised in profit or loss.

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

The fair values of the industrial property in Hong Kong, commercial and residential properties and car park spaces in the PRC and Hong Kong were determined using the direct comparison approach by making reference to comparable transactions as available in the relevant market after applying adjusting factors to reflect the conditions and locations of the subject properties.

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

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

Leasehold land and building held by the Group	Significant unobservable input	Range 2021	Range 2020
Commercial property in Shenzhen, Guangdong Province, the PRC (2021: HK$42,920,000 (2020: HK$44,021,000))	Adopted price per square meter determined based on comparable transactions (Renminbi ("RMB")) Adjusting factors for variable conditions and locations	**42,900 to 44,400** **adjusting factors range from 91% to 96%**	43,700 to 48,500 adjusting factors range from 95% to 97%
Industrial property in Wuzhou, Guangxi Province, the PRC (2021: HK$13,451,000 (2020: HK$19,819,000))	Estimated construction cost for replacement (per square meter) (RMB)	**1,872** **adjusting factors of 78%**	2,080 adjusting factor of 80%
Residential property in Bel-Air, Island South, Hong Kong (2021: HK$316,000,000 (2020: HK$300,000,000))	Adopted price per square feet determined based on comparable transactions (HK$) Adjusting factors for variable conditions and locations	**66,200 to 83,000** **adjusting factors range from 71% to 127%**	64,600 to 78,900 adjusting factors range from 70% to 132%
Industrial property in Gemstar Tower, Hung Hom, Hong Kong (2021: HK$186,300,000) (note)	Adopted price per square feet determined based on comparable transactions (HK$) Adjusting factors for variable conditions and locations	**6,500 to 7,100** **adjusting factors range from 82% to 90%**	N/A
2 car parking spaces in Gemstar Tower, Hung Hom, Hong Kong (2021: HK$3,700,000) (note)	Adopted price per bay determined based on comparable transactions (HK$ thousand) Adjusting factors for variable conditions and locations	**1,900** **adjusting factor of 95%**	N/A

Note: The proprieties are acquired through acquisition of subsidiaries during the year ended 31 December 2021. Details of which are set in note 46.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement (Continued)

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

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

As at 31 December 2021 and 2020, certain leasehold land and buildings of the Group were pledged to secure general banking facilities granted to the Group, details of which are set out in note 38.

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

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been approximately HK$559,935,000 (2020: HK$393,922,000).

As at 31 December 2021 and 2020, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Net carrying amount as at 31 December		**Depreciation for the year ended 31 December**	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings carried at cost	**81,207**	37,920	**54,261**	33,054
Plant and machinery	**3,115**	–	**180**	–
Office equipment	**207**	311	**104**	104
Total	**84,529**	38,231	**54,545**	33,158

The details in relation to these leases are set out in note 41.

19. PREPAID LEASE PAYMENTS

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

20. INVESTMENT PROPERTIES

	2021	2020
	HK$'000	HK$'000
As at 1 January	**11,839,176**	8,863,251
Additions	**42,177**	–
Capital contribution from controlling shareholder (note 47)	**345,787**	–
Transfer to properties under development (note 26)	**(3,229,062)**	–
Gain on fair value changes recognised in profit or loss, net	**1,265,256**	2,463,416
Exchange realignment	**365,499**	512,509
As at 31 December	**10,628,833**	11,839,176

The Group's investment properties situated in the PRC, Hong Kong and Grenada. The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., commercial buildings, car parking spaces, industrial properties and residential apartments, based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2021 and 2020 based on valuations performed by Roma Appraisals Limited, a firm of independent qualified professional valuers, at HK$10,628,833,000 (2020: HK$11,839,176,000).

As at 31 December 2021 and 2020, certain investment properties of the Group were pledged to secure general banking facilities granted to the Group, details of which are set out in note 38.

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement

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

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

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

As at 31 December 2021, the fair value of Phase II of Realord Technology Park (as defined below) was determined on the basis that it will be developed and completed in accordance with the Group's latest development plan. The valuation was determined by the residual method. The residual method involved calculating the GDV and deducting the estimated development costs and developer's profit.

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

Investment property held by the Group	Valuation technique	Significant unobservable input	Range 2021	Range 2020
A residential apartment in Festival City, Shatin, Hong Kong 2021: HK$13,900,000 (2020: HK$12,800,000)	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**18,300 to 19,700**	16,900 to 18,200
		Adjusting factors for variable conditions and locations	**adjusting factors range from 101% to 110%**	adjusting factors range from 96% to 106%
A residential apartment in Festival City, Shatin, Hong Kong 2021: HK$14,000,000 (2020: HK$13,000,000)	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**18,400 to 19,700**	16,000 to 17,200
		Adjusting factors for variable conditions and locations	**adjusting factors range from 101% to 105%**	adjusting factors range from 98% to 106%

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property held by the Group	Valuation technique	Significant unobservable input	Range 2021	Range 2020
A residential apartment in Parc Oasis, Kowloon, Hong Kong 2021: HK$15,400,000 (2020: HK$14,400,000)	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**20,100 to 22,800**	21,000 to 22,000
		Adjusting factors for variable conditions and locations	**adjusting factors range from 103% to 104%**	adjusting factors range from 102% to 106%
A residential apartment in The Riverpark, Shatin, Hong Kong 2021: HK$18,800,000 (2020: HK$17,100,000)	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**18,700 to 21,300**	18,000 to 18,500
		Adjusting factors for variable conditions and locations	**adjusting factors range from 91% to 110%**	adjusting factors range from 97% to 105%
A residential apartment in Bel-Air, Island South, Hong Kong 2021: HK$33,000,000 (2020: HK$31,000,000)	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**26,200 to 27,900**	24,000 to 27,700
		Adjusting factors for variable conditions and locations	**adjusting factors range from 94% to 96%**	adjusting factors range from 92% to 99%
A residential apartment in Bel-Air, Island South, Hong Kong 2021: HK$486,000,000 (2020: HK$460,000,000)	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**69,200 to 87,000**	67,600 to 81,800
		Adjusting factors for variable conditions and locations	**adjusting factors range from 74% to 130%**	adjusting factors range from 74% to 135%
A car parking space in Festival City, Shatin, Hong Kong 2021: HK$2,620,000 (2020: HK$2,300,000)	Direct comparison approach	Adopted price per bay determined based on comparable transactions (HK$ thousand)	**2,560 to 2,700**	2,180 to 2,465
		Adjusting factors for variable conditions and locations	**adjusting factors of 100%**	adjusting factor of 100%

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property held by the Group	Valuation technique	Significant unobservable input	Range 2021	Range 2020
A car parking space in Parc Oasis, Kowloon, Hong Kong 2021: HK$1,300,000 (2020: HK$1,500,000)	Direct comparison approach	Adopted price per bay determined based on comparable transactions (HK$ thousand)	**1,040 to 1,680**	1,330 to 1,720
		Adjusting factors for variable conditions and locations	**adjusting factors of 100%**	adjusting factor of 100%
Commercial building in Shenzhen, Guangdong Province, the PRC 2021: HK$77,036,000 (2020: HK$86,025,000)	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**61,100 to 61,600**	66,800 to 79,100
		Adjusting factors for variable conditions and locations	**adjusting factors range from 88% to 96%**	adjusting factors range from 95% to 105%
Industrial property in Shenzhen, Guangdong Province, the PRC 2021: HK$224,995,000 (2020: HK$189,848,000)	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**9,900 to 10,300**	7,400 to 9,500
		Adjusting factors for variable conditions and locations	**adjusting factors from 85% to 90%**	adjusting factor from 75% to 95%
Industrial property in Shenzhen, Guangdong Province, the PRC ("Qiankeng Property") As at 31 March 2021: HK$3,229,062,000 (2020: HK$2,895,187,000) (note a)	Residual method	GDV per square meter (RMB)	**28,500 to 121,000**	28,500 to 117,000
		GDV per bay (RMB)	**300,000**	300,000
		Estimated costs to completion (RMB)	**790 million**	750 million
		Developer's profit margin	**15%**	15%

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property held by the Group	Valuation technique	Significant unobservable input	Range 2021	Range 2020
Commercial building in Shenzhen, Guangdong Province, the PRC 2021: HK$3,079,944,000 (2020: HK$2,948,000,000)	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**62,000 to 69,000**	61,900 to 66,600
		Adjusting factors for variable conditions and locations	**adjusting factors range from 91% to 96%**	adjusting factors range from 86% to 95%
A shopping arcade in Shenzhen, Guangdong Province, the PRC 2021: HK$1,377,622,000 (2020: HK$1,414,000,000)	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**42,000 to 117,300**	41,600 to 128,800
		Adjusting factors for variable conditions and locations	**adjusting factors range from 80% to 85%**	adjusting factors range from 85% to 92%
1,012 car parking spaces in Shenzhen, Guangdong Province, the PRC 2021: HK$371,271,000 (2020: HK$360,477,000)	Direct comparison approach	Adopted price per bay determined based on comparable transactions (RMB)	**300,000**	300,000
		Adjusting factors for variable conditions and locations	**adjusting factors range from 85% to 90%**	adjusting factors range from 85% to 90%
Commercial building in Shenzhen, Guangdong Province, the PRC ("Phase I of Realord Technology Park") 2021: HK$3,442,813,000 (2020: HK$3,282,500,000)	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**51,200 to 52,300**	50,900 to 51,900
		Adjusting factors for variable conditions and locations	**adjusting factors range from 83% to 90%**	adjusting factors range from 85% to 93%

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property held by the Group	Valuation technique	Significant unobservable input	Range 2021	Range 2020
Commercial building in Shenzhen, Guangdong Province, the PRC ("Phase II of Realord Technology Park") 2021: HK$1,008,810,000 (note b)	Residual method	GDV per square meter (RMB)	**33,000 to 87,000**	N/A
		GDV per bay (RMB)	**300,000**	N/A
		Estimated costs to completion (RMB)	**155 million**	N/A
		Developer's profit margin	**15%**	N/A
315 car parking spaces in Shenzhen, Guangdong Province, the PRC 2021: HK$115,535,000 (2020: HK$111,039,000)	Direct comparison approach	Adopted price per bay determined based on comparable transactions (RMB)	**300,000**	300,000
		Adjusting factors for variable conditions and locations	**adjusting factors range from 80% to 85%**	adjusting factors range from 85% to 90%
2 pieces of lands in the Parish of Saint George, Grenada (2021: HK$345,787,000) (note c)	Direct comparison approach	Adopted price per acre determined based on comparable transactions (United States Dollar ("US$"))	**154,800 to 160,000**	N/A
		Adjusting factors for variable conditions and locations	**adjusting factors range from 107% to 112%**	N/A

Notes:

(a) The redevelopment plan of Qiankeng Property was principally agreed by the relevant urban renewal bureau in the PRC in August 2020. The Group had become the authorised developer of the redevelopment plan since 29 January 2021. The buildings in Qiankeng Property have been demolished by the Group in March 2021 and therefore, Qiankeng Property is transferred from "Investment properties" to "Properties under development" accordingly. Details of which are set out in note 26.

(b) In August 2021, the Group obtained the permit from relevant government authorities in respect of the increase in construction scale of Phase II of Realord Technology Park.

(c) The investment properties are acquired through capital contribution from controlling shareholder during the year ended 31 December 2021. Details of which are set out in note 47.

20. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

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

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

21. GOODWILL

	2021 HK$'000	2020 HK$'000
As at 1 January	**87,390**	87,390
Acquisition of subsidiaries (note 46)	**233,547**	–
As at 31 December	**320,937**	87,390

The carrying amounts of goodwill and other intangible assets allocated to the CGUs as at 31 December 2021 and 2020 are as follows:

	2021			2020		
	Goodwill HK$'000	**Other intangible assets HK$'000** (note 22)	**Total HK$'000**	Goodwill HK$'000	Other intangible assets HK$'000 (note 22)	Total HK$'000
Financial Services Segment						
– Type 1 license business	**2,100**	**4,400**	**6,500**	2,100	4,400	6,500
– Type 4 and Type 9 licenses business	**–**	**8,969**	**8,969**	–	8,969	8,969
– Type 1, Type 4 and Type 6 licenses business	**58,893**	**27,239**	**86,132**	58,893	30,027	88,920
Environmental Protection Segment	**26,397**	**–**	**26,397**	26,397	–	26,397
Department Store Segment	**233,547**	**9,598**	**243,145**	–	–	–
	320,937	**50,206**	**371,143**	87,390	43,396	130,786

Impairment testing of goodwill and other intangible assets

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

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

21. GOODWILL (Continued)

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

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 12.4% (2020: 13.5%), and the cash flows beyond the five-year period were extrapolated using a growth rate of 3.0% (2020: 3.0%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Based on the result of the above impairment testing, the estimated recoverable amount exceeded the carrying amount of the CGU by approximately 51.7% (2020: 27.4%) as at 31 December 2021. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount of this CGU.

Environmental Protection Segment

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 19.3% (2020: 18.3%), and the cash flows beyond the five-year period were extrapolated using a growth rate of 2.0% (2020: 2.6%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Based on the result of the above impairment testing, the estimated recoverable amount exceeded the carrying amount of the CGU by approximately 0.6% (2020: 6.2%) as at 31 December 2021.

Management is not currently aware of any other possible changes that would necessitate changes in its key estimates. However, the estimate of recoverable amount of this CGU is particularly sensitive to the growth rate applied. If the growth rate decreased by 2%, an impairment loss of HK$862,000 would be recognised.

21. GOODWILL (Continued)

Department Store Segment

The recoverable amount of this CGU has been determined based on a fair value less costs of disposal with reference to the quoted market price of Sincere on the Stock Exchange as at 31 December 2021.

Based on the result of the above impairment testing, the estimated recoverable amount exceeded the carrying amount of the CGU by approximately 138% as at 31 December 2021. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount of this CGU.

22. OTHER INTANGIBLE ASSETS

	Trademark	**Licenses**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 January 2020	25,089	21,095	46,184
Amortisation for the year	(2,788)	–	(2,788)
As at 31 December 2020 and 1 January 2021	22,301	21,095	43,396
Acquisition of subsidiaries (note 46)	**10,664**	**–**	**10,664**
Amortisation for the year	**(3,854)**	**–**	**(3,854)**
As at 31 December 2021	**29,111**	**21,095**	**50,206**

The other intangible assets with indefinite useful lives are tested for impairment at least annually or when there is impairment indicator. Details of impairment testing are set out in note 21.

23. EQUITY INSTRUMENT AT FVTOCI

	2021 HK$'000	2020 HK$'000
Equity investment:		
– Unlisted security (note)	**9,171**	8,899
– Other unlisted investments	**3,807**	–
	12,978	8,899

Note: On 10 August 2020, the Group entered into an agreement with an independent party to incorporate a private company in the PRC (the "Investee"). The Group held 15% equity interests of the Investee at a cash consideration of RMB7,500,000 (equivalent to approximately HK$9,171,000) (2020: HK$8,899,000). The investee was dormant during the years ended 31 December 2021 and 2020.

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

24. PENSION SCHEME ASSETS

The Group operates a funded final salary defined benefit pension scheme (the "Pension Scheme") for those employees who are eligible to participate in the Pension Scheme. The Pension Scheme provides lump sum benefits based on a multiple of a member's final salary and years of service upon the member's retirement, death or early retirement due to incapacity. In addition to the above, a flat pension payment equals to 50% of final salary payable over a period that is related to the member's and years of service.

The Group's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The Pension Scheme is governed under a trust and is administrated by a corporate trustee with the assets held separately from those of the Group. The trustee is responsible for ensuring that the Pension Scheme is administered in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

The trustee and the Group periodically review the investment strategy and funding position. The investment portfolio is a mix of 36% in equity and 64% in debt instruments.

The Pension Scheme is exposed to interest rate risk, investment risk and salary risk.

The most recent actuarial valuation to determine the present value of the defined benefit obligations of the Pension Scheme was carried out on 31 December 2021 by a firm of independent qualified professional valuers, Towers Watson Hong Kong Limited, using the projected unit credit actuarial valuation method.

24. PENSION SCHEME ASSETS (Continued)

(a) The principal actuarial assumptions used at the end of the reporting period are as follows:

	2021 HK$'000	2020 HK$'000
Discount rate	1.2%	N/A
Expected rate of salary increase	2.0%	N/A

The actuarial valuation showed that the market value of plan assets was HK$42,776,000 and that the actuarial value of these assets represented 217% of the benefits that had been accrued to qualifying employees.

(b) A quantitative sensitivity analysis for significant assumptions at the end of the reporting period is shown below:

	Increase in rate %	(Decrease)/ Increase in net defined benefit obligations HK$'000	Decrease in rate %	Increase/ (Decrease) in net defined benefit obligations HK$'000
As at 31 December 2021				
Discount rate	0.25	(269)	(0.25)	250
Long-term salary increase rate	0.25	243	(0.25)	(237)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

24. PENSION SCHEME ASSETS (Continued)

(c) The total expenses recognised in profit or loss in respect of the plan are as follows:

	2021 HK$'000	2020 HK$'000
Current service cost	**1,115**	–
Net interest income	**(107)**	–
Net pension scheme cost	**1,008**	–

The above amount of the Group's net pension scheme cost was included in "Administrative expenses" in the consolidated statement of profit or loss.

(d) The movements in the present value of the defined benefit obligations are as follows:

	2021 HK$'000	2020 HK$'000
At the beginning of year	**–**	–
Acquisition of subsidiaries	**38,095**	–
Current service cost	**1,115**	–
Interest cost	**192**	–
Actuarial gains	**(3,819)**	–
Benefit paid	**(15,908)**	–
At the end of year	**19,675**	–

(e) The movements in the defined benefit obligations and the fair value of plan assets are as follows:

			Pension cost credited/(charged) to profit or loss				Remeasurement income/(expense) in other comprehensive income						
	As at 1 January 2021 HK$'000	Acquisition of subsidiaries HK$'000 (note 46)	Service cost HK$'000	Net interest income/ (expense) HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	Contribution by employer HK$'000	As at 31 December 2021 HK$'000
Defined benefit obligations	-	(38,095)	(1,115)	(192)	(1,307)	15,908	-	(1)	499	3,321	3,819	-	(19,675)
Fair value of plan assets	-	57,680	-	299	299	(15,908)	705	-	-	-	705	-	42,776
Benefit assets/(liabilities)	-	19,585	(1,115)	107	(1,008)	-	705	(1)	499	3,321	4,524	-	23,101

24. PENSION SCHEME ASSETS (Continued)

(f) The major categories of the fair value of the total plan assets are as follows:

	2021	2020
Equity instruments, quoted in an active market	**36%**	N/A
Debt instruments, at quoted prices	**64%**	N/A
Total	**100%**	N/A

(g) Expected contributions to the defined benefit plan in future years are as follows:

	2021 HK$'000	2020 HK$'000
Within the next 12 months	**–**	–

The average duration of the defined benefit obligations at the end of the reporting period was 5 years.

(h) In addition to the above disclosures, the following information is further provided pursuant to the requirements of the Listing Rules:

The Group has paid contributions to the Pension Scheme at rates as recommended and calculated by the independent actuary, Ms. Wing Lui, Fellow of the Society of Actuaries, using the attained age valuation method. The latest ongoing funding valuation and solvency funding valuation were performed as at 1 March 2020. The market value of the assets was HK$52,553,000 while the levels of funding were 147% and 268%, respectively. Based on the accrued funding status as at 1 March 2020, the Pension Scheme was fully funded. An interest rate of 2% per annum and a salary increase rate of 2% per annum were assumed in the valuation.

25. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**5,299**	28,315
Work in progress	**3,817**	–
Finished goods	**89,713**	8,223
	98,829	36,538

26. PROPERTIES UNDER DEVELOPMENT

	2021 HK$'000	2020 HK$'000
Properties under development (note 20)	**3,229,062**	–

As at 31 December 2021, the Group's properties under development were pledged to secure general banking facilities granted to the Group, details of which are set out in note 38.

27. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING/LOAN RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables, goods and services	**374,669**	460,428
Less: allowance for credit losses	**(19,443)**	(11,019)
	355,226	449,409
Receivables arising from securities broking conducted in the ordinary course of business:		
– Cash clients accounts receivable	**14,300**	26,871
– Loans to margin clients	**276,231**	138,458
Less: allowance for credit losses	**(88)**	(1,956)
	290,443	163,373
Receivables arising from money lending business:		
– Loan receivables	**206,999**	177,679
Less: allowance for credit losses	**(16,562)**	(20,626)
	190,437	157,053
	836,106	769,835

Trade receivables

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

At the end of the reporting period, 30% (2020: 36%) and 79% (2020: 65%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivables.

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

Receivables arising from securities broking

With regard to receivables arising from securities broking, the Group seeks to maintain tight control over its outstanding accounts receivable and has procedures and policies to assess its clients' credit quality and define credit limits for each client. All client acceptances and credit limits are approved by designated approvers according to the clients' credit quality.

The normal settlement term of cash clients accounts receivable arising from the ordinary course of business of securities broking is two trading days after the trade date.

Loans to margin clients are secured by the underlying pledged securities, repayable on demand or agreed dates of repayment and bear interest at commercial rates. As at 31 December 2021, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$2,186,119,000 (2020: HK$586,020,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. As at 31 December 2021, 99% (2020: 95%) of the balance were secured by sufficient collaterals on an individual basis. Management has assessed the market value of the pledged securities of each individual customer that has margin shortfall as at the year end. The collaterals held cannot be repledged by the Group. The corresponding collaterals held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients in the event of default.

Loan receivables

Loan receivables are unsecured, repayable on agreed dates of repayment within one year and bear interest at commercial rates.

The following is an ageing analysis of trade receivables, net of allowance for credit losses presented based on the invoice dates/date of rendering of services:

	2021	2020
	HK$'000	HK$'000
Current to 30 days	**154,679**	196,304
31 to 60 days	**21,311**	58,342
61 to 90 days	**17,478**	23,079
91 to 365 days	**105,062**	166,373
Over 1 year	**56,696**	5,311
	355,226	449,409

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

No ageing analysis of cash clients accounts receivable, loans to margin clients and loans to money lending clients is disclosed as in the opinion of the directors of the Company, the ageing analysis is not meaningful in view of the nature of the cash clients accounts receivable arising from securities broking, the revolving margin loans and the money lending loans.

Details of impairment assessment of trade receivables, receivables arising from securities broking and loan receivables for the years ended 31 December 2021 and 2020 are set out in note 55b.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	HK$'000	HK$'000
Prepayments for purchase of inventories	**69,888**	90,312
Deposit paid for acquisition of property, plant and equipment	**6,462**	4,484
Refundable rental deposits	**52,800**	12,879
Other prepayments, deposits and receivables	**82,653**	104,413
Other receivables from a local government authority (note a)	**116,045**	132,776
Purchased or originated credit-impaired loan receivables (note b)	**99,587**	95,884
Gift receivable from Win Dynamic (note 49)	**158,870**	–
	586,305	440,748
Classified as:		
– Current assets	**405,167**	425,961
– Non-current assets	**181,138**	14,787
	586,305	440,748

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) The amounts represent receivables due from a local government authority in the PRC in respect of sales of properties before the acquisition of subsidiaries in 2018. Management believes that no impairment loss is necessary in respect of this balance as the amount is still considered to be fully recoverable taken into account of the repayment history and the current creditworthiness of the debtor.

(b) The amounts represent three (2020: three) credit-impaired loan receivables purchased from a bank in the PRC at cash consideration of RMB72,827,000. Legal proceeding had been entered into between the bank and the original debtors regarding the recoverability of the credit-impaired loan receivables and it was judged that the pledged properties could be used for auctions to repay the outstanding loans and interests. The loan receivables are carried at contractual interest rate from 8.5% to 9.3% (2020: 8.5% to 9.3%) per annum and the Group has applied the credit-adjusted effective interest rate from 8.5% to 9.3% (2020: 8.5% to 9.3%) to the amortised cost of the financial assets from initial recognition. It only recognises the cumulative changes in lifetime ECL since initial recognition as a loss allowance. During the year ended 31 December 2021 and 2020, no impairment loss is recognised in profit or loss for the lifetime ECL.

29. PROPOSED DEVELOPMENT PROJECT

The carrying amount of proposed development project represents the difference between the consideration paid and the net assets acquired in the acquisition of assets through acquisition of 深圳市友盛地產有限公司 (Shenzhen Yousheng Real Estate Co., Ltd. or "Shenzhen Yousheng") in 2019. The amount would be converted into properties under development upon obtain the land use right.

30. FINANCIAL ASSETS AT FVTPL

	2021 **HK$'000**	2020 HK$'000
Club and school debentures	**13,991**	10,108
Listed equity investments	**64,906**	5,189
Other investments	**2,309**	–
	81,206	15,297

The above investments as at 31 December 2021 and 2020 were classified as financial assets at FVTPL as they were held for trading.

As at 31 December 2021 and 2020, certain investments held for trading of the Group were pledged to secure general banking facilities granted to the Group, details of which are set out in note 38.

31. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities clients' monies arising from its securities brokerage business. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets and recognised the corresponding liabilities to respective clients on grounds that the Group is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

32. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates which range from 0.01% to 0.35% (2020: 0.01% to 0.35%) per annum. Short-term time deposits are made for few days period to meet the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates of 0.17% (2020: 0.17%) per annum. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

Certain bank balances are denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

33. ASSET CLASSIFIED AS HELD FOR SALE

	2021	2020
	HK$'000	HK$'000
Financial assets at FVTOCI:		
Unlisted investment	**26,646**	–

The Group is seeking to dispose one of its unlisted investments and has entered into a share sale and purchase agreement with an independent third party in January 2022. The Group anticipates that the disposal will be completed by 2022.

34. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	2021 HK$'000	2020 HK$'000
Trade payables	**54,926**	34,819
Payables arising from securities broking conducted in the ordinary course of business:		
– Cash clients accounts payable	**148,176**	139,642
	203,102	174,461

The following is an ageing analysis of trade payables based on invoice dates:

	2021 HK$'000	2020 HK$'000
Current to 30 days	**40,772**	14,684
31 to 60 days	**938**	694
61 to 90 days	**766**	327
Over 90 days	**12,450**	19,114
	54,926	34,819

The credit period of trade payables ranges from 60 to 90 days (2020: 60 to 90 days). The normal settlement terms of payables arising from securities broking are two trading days after the trade date.

Included in cash clients accounts payable arising from dealing in securities conducted in the ordinary course of business is cash held on behalf of clients amounting to HK$143,835,000 (2020: HK$119,538,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2021, the cash clients accounts payable included an amount of HK$114,000 (2020: HK$112,000) in respect of certain directors' undrawn monies/excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non interest-bearing. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

35. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Current		
Printing services contract (note a)	**1,670**	3,950
Receipts in advance from customers (note b)	**9,394**	31,793
Loyalty points programme (note c)	**2,119**	–
	13,183	35,743

Notes:

(a) When the Group receives a deposit before the printing activity commences, this will give rise to contract liabilities at the inception of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 20% deposit on acceptance of provision for certain printing services. At contract inception, performance obligation is expected to be satisfied within one year.

(b) The amount represents receipts in advance from customers of Environmental Protection Segment for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts. At contract inception, performance obligation is expected to be satisfied within one year.

The decrease of contract liabilities as at 31 December 2021 is mainly due to the decrease in the deposits received at the end of the reporting period.

(c) The performance obligation is satisfied upon utilisation of loyalty points of Department Store Segment. The Group allocated a portion of the transaction prices to the loyalty programme which is based on the relative standalone selling price. The transaction price of HK$2,119,000 was allocated to the remaining performance obligations as at 31 December 2021 which are expected to be recognised as revenue within one year.

(d) Contract liabilities outstanding at the beginning of the year amounting to HK$35,743,000 (2020: HK$5,141,000) have been recognised as revenue during the year.

36. INSURANCE CONTRACTS LIABILITIES

(a) Life insurance contracts liabilities

	Notes	2021 HK$'000	2020 HK$'000
Life reserve	*(i)*	**1,046**	–
Provision for claims	*(ii)*	**128**	–
		1,174	–

Notes:

(i) Life reserve is analysed as follows:

	2021 HK$'000	2021 HK$'000
At the beginning of the year	**–**	–
Acquisition of subsidiaries (note 46)	**1,165**	–
Decrease in the year	**(119)**	–
At the end of the year	**1,046**	–

(ii) The provision for claims of life insurance contracts is analysed as follows:

	2021 HK$'000	2020 HK$'000
At the beginning of the year	**–**	–
Acquisition of subsidiaries (note 46)	**128**	–
At the end of the year	**128**	–

36. INSURANCE CONTRACTS LIABILITIES (Continued)

(b) Terms and conditions

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Life insurance contracts offered by the Group are whole life contracts. Whole life contracts are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

The main risk that the Group is exposed to is mortality risk - risk of loss arising due to policy holder death experience being different than expected. This risk does not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or industry.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

(c) Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

36. INSURANCE CONTRACTS LIABILITIES (Continued)

(c) Key assumptions (Continued)

Discount rates

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders

37. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Deferred consideration for acquisition of a subsidiary (note a)	**47,162**	44,693
Accrued expenses	**53,770**	37,657
Other payables	**20,310**	15,427
Provision (note b)	**–**	42,843
Deposits received	**6,948**	2,690
Other tax payables	**49,198**	70,082
	177,388	213,392
Classified as:		
– Current liabilities	**172,725**	168,699
– Non-current liabilities	**4,663**	44,693
	177,388	213,392

Note:

(a) On 30 April 2019, the Group completed an acquisition of 60% equity interests in Optima Capital Limited ("Optima Capital"). Based on the acquisition agreement, part of the consideration amounting to HK$48,000,000 (the "deferred consideration") will be paid on the third anniversary of the completion date of the acquisition.

(b) As at 31 December 2020, the amount of HK$42,843,000 represented a provision for a legal claim brought against the Group by third party in relation to the outstanding agency fee and interests accrued thereon for the acquisition of a subsidiary in 2016. The Group expected to be eligible for reimbursement of approximately HK$28,200,000 by third party in this regard in the year ended 31 December 2020. The legal claim was fully recovered during the year ended 31 December 2021.

38. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank borrowings		
– Secured	**6,902,234**	6,613,627
– Unsecured	**3,576,690**	3,494,396
	10,478,924	10,108,023

The contractual maturity dates of the bank borrowings are as follows:

	2021 HK$'000	2020 HK$'000
Carrying amount of bank borrowings are repayable (note d):		
– Within one year	**134,553**	503,874
– More than one year but not more than two years	**5,261,756**	542,961
– More than two years but not more than five years	**3,248,117**	7,297,142
– Over five years	**1,457,845**	1,545,554
	10,102,271	9,889,531
Carrying amount of bank borrowings that contain a repayment on demand clause:		
– Within one year	**376,653**	218,492
	10,478,924	10,108,023
Less: amounts due within one year shown under current liabilities	**(511,206)**	(722,366)
Amounts shown under non-current liabilities	**9,967,718**	9,385,657

38. BANK BORROWINGS (Continued)

Notes:

(a) As at 31 December 2021, the Group's bank borrowings of HK$296,966,000 (2020: HK$218,492,000) bear interest rates from 1.25% to 2.20% (2020: 1.25% to 2.20%) over Hong Kong Interbank Offered Rate ("HIBOR") per annum.

(b) As at 31 December 2021, the Group's bank borrowing of HK$228,815,000 (2020: HK$234,482,000) bears interest rate of 2.85% (2020: 2.85%) below Prime Rate per annum.

(c) As at 31 December 2021, the Group's bank borrowings of HK$9,864,285,000 (2020: HK$9,655,049,000) bear interest rates from 4.93% to 5.62% (2020: 5.62% to 7.6%) per annum.

(d) The amounts due are based on scheduled repayment dates set out in the loan agreements.

(e) The Group's available banking facilities amounting to HK$11,598,495,000 (2020: HK$11,083,840,000), of which HK$10,478,924,000 (2020: HK$10,108,023,000) had been utilised at the end of the reporting period.

(f) Certain bank borrowings of the Group were guaranteed by the Company up to HK$10,096,429,000 (2020: HK$9,860,203,000), and the Group companies up to HK$9,405,274,000 (2020: HK$9,271,279,000).

(g) Certain bank borrowings of the Group were secured by mortgages over the Group's investment properties, leasehold land and buildings and properties under development with a carrying amount at the end of the reporting period of HK$10,184,027,000 (2020: HK$11,839,176,000), HK$562,371,000 (2020: HK$363,840,000) and HK$3,229,062,000 (2020: Nil), respectively.

(h) Certain bank borrowings of the Group were secured by securities collateral pledged to the Group by margin clients with market value of HK$9,171,000 (2020: HK$9,529,000), the Group's marketable securities with an aggregate fair value of HK$3,432,000 (2020: Nil) and shares of two (2020: two) investment properties owing subsidiaries.

(i) Certain bank borrowings of the Group were secured by the Group's bank balance of HK$154,000 (2020: Nil) and time deposits of HK$101,999,000 (2020: Nil).

(j) Certain bank borrowings of the Group were guaranteed by the directors and controlling shareholders of the Company up to HK$10,093,099,000 (2020: HK$9,880,694,000) and the related parties of the Group up to HK$9,171,000 (2020: HK$8,837,000).

(k) Except for bank borrowings of HK$9,873,456,000 (2020: HK$9,655,049,000) which are denominated in RMB, all other bank borrowings are denominated in HK$.

39. OTHER LOANS

	2021 HK$'000	2020 HK$'000
Other loans (note)	**2,740**	–
Less: Amount repayable within one year or on demand and classified as current portion	**(2,203)**	–
Amount classified as non-current portion	**537**	–

	2021 HK$'000	2020 HK$'000
Analysed into:		
Within one year or on demand	**2,203**	–
In the second year	**537**	–
	2,740	–

Note: The other loans are unsecured, interest-bearing at 2% per annum and repayable on demand except for an amount of HK$537,000 which is not repayable in the next 12 months after the end of the reporting period.

40. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2021 HK$'000	2020 HK$'000
Amounts due from related parties (note a)	**1,598**	–
Amount due to a related party (note a)	**(79,877)**	(36,561)
Amounts due to related parties (note b)	**(29,361)**	(35,300)
	(109,238)	(71,861)
	(107,640)	(71,861)

Notes:

(a) Amounts due are unsecured, interest-free and repayable on demand.

(b) Amounts due are unsecured, interest-bearing at 8% per annum (2020: interest-free) and repayable on demand.

41. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Total minimum lease payments:		
– Due within one year	**67,769**	34,413
– Due in the second to the fifth years	**45,375**	5,170
	113,144	39,583
Future finance charges on lease liabilities	**(7,807)**	(553)
Present value of lease liabilities	**105,337**	39,030
Present value of minimum lease payments:		
– Due within one year	**62,294**	33,893
– Due in the second to the fifth years	**43,043**	5,137
	105,337	39,030
Less: portion due within one year included under current liabilities	**(62,294)**	(33,893)
Portion due after one year included under non-current liabilities	**43,043**	5,137

41. LEASE LIABILITIES (Continued)

Note:

During the year ended 31 December 2021, the total cash outflows for the leases are HK$85,482,000 (2020: HK$36,143,000).

Details of the lease activities

As at 31 December 2021 and 2020, the Group has entered into leases for office equipment, plant and machinery, warehouse and department stores.

Type of right-of-use asset	Consolidated financial statements item of right-of-use asset included in	Number of lease	Range of remaining lease term	Number of lease with extension option	Number of lease with option to purchase	Number of lease with termination option
As at 31 December 2021						
Land and buildings carried at cost	Property, plant and equipment	**15**	**1 to 2 years**	**4**	**2**	**6**
Plant and machinery	Property, plant and equipment	**7**	**2 to 5 years**	**–**	**6**	**–**
Office equipment	Property, plant and equipment	**1**	**2 years**	**–**	**–**	**–**
As at 31 December 2020						
Land and buildings carried at cost	Property, plant and equipment	11	1 to 3 years	6	2	9
Office equipment	Property, plant and equipment	1	3 years	–	–	–

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

42. DEFERRED TAXATION

The following are the deferred tax liabilities/(assets) recognised and movements thereon during the current and prior years:

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
As at 1 January 2020	857	334,806	(929)	4,975	339,709
Deferred tax (credited)/charged to profit or loss (note 11)	(2)	558,110	459	(4,762)	553,805
Charged to other comprehensive income	–	297	–	–	297
Exchange realignment	–	20,588	–	166	20,754
As at 31 December 2020 and 1 January 2021	855	913,801	(470)	379	914,565
Deferred tax (credited)/charged to profit or loss (note 11)	(2)	309,721	182	(1,870)	308,031
Credited to other comprehensive income	–	(258)	–	–	(258)
Acquisition of subsidiaries (note 46)	–	–	–	1,780	1,780
Exchange realignment	–	32,204	–	–	32,204
As at 31 December 2021	853	1,255,468	(288)	289	1,256,322

At the end of the reporting period, the Group has estimated tax losses arising in Hong Kong of HK$356,833,000 (2020: HK$354,266,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in the PRC of HK$1,727,370,000 (2020: HK$1,097,569,000) that will expire in one to five years for offsetting against future taxable profits. A deferred tax asset has been recognised in respect of tax losses of HK$1,745,000 (2020: HK$2,850,000) as at 31 December 2021. Deferred tax assets have not been recognised in respect of the remaining tax losses as they have arisen in subsidiaries that have been loss-making for some time and in the opinion of the directors of the Company, it is not considered probable that taxable profits will be available against which the tax losses can be utilised due to the unpredictability of future profit streams.

42. DEFERRED TAXATION (Continued)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of the temporary difference attributable to the accumulated profits of the Group's subsidiaries in the PRC amounting to HK$24,572,000 (2020: HK$29,043,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that these temporary difference will not reverse in the foreseeable future.

43. LOANS FROM ULTIMATE HOLDING COMPANY

	2021	2020
	HK$'000	HK$'000
Loans from ultimate holding company	**1,127,196**	744,192

The loans are unsecured, interest-bearing at 8.2% (2020: 8.2%) per annum and will be repayable in June 2023 (2020: June 2022).

44. SHARE CAPITAL

	2021	2020
	HK$'000	HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,439,709,880 (2020: 1,438,209,880) ordinary shares of HK$0.10 each	**143,971**	143,821

A summary of movements in the Company's share capital is as follows:

	Number of ordinary shares in issue	**Share capital**
		HK$'000
As at 1 January 2020, 31 December 2020 and 1 January 2021	1,438,209,880	143,821
Exercise of share options (note)	1,500,000	150
As at 31 December 2021	**1,439,709,880**	**143,971**

Note: On 24 September 2021 and 29 December 2021, the Company issued 1,000,000 and 500,000 shares, respectively, due to the exercise of share options under the Option Scheme (as defined in note 45) by the option holders. The new shares rank *pari passu* with existing shares in all respects.

45. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Scheme include the Company's directors and full time employees of the Group. The Option Scheme became effective on 10 August 2012 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Option Scheme on 10 August 2012. The maximum number of shares issuable under share options to each eligible participant in the Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a vesting period of two years and ends on a date which is not later than 10 years from the date of the grant of the option but subject to the provisions for early termination of the Option Scheme. Unless otherwise determined by the directors of the Company at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options is determinable by the directors of the Company, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

45. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Option Scheme during the year:

	Weighted average exercise price per share HK$	Number of options '000
As at 1 January 2020, 31 December 2020 and 1 January 2021	**4.11**	**7,800**
Exercised during the year	**4.11**	**(1,500)**
Lapsed during the year	**4.11**	**(1,700)**
As at 31 December 2021	**4.11**	**4,600**

At the end of the reporting period and the date of approval of these consolidated financial statements, the Company had 4,600,000 (2020: 7,800,000) share options outstanding under the Option Scheme, which represented approximately 0.3% (2020: 0.5%) of the Company's shares in issue as at that date.

46. BUSINESS COMBINATIONS

On 18 May 2021, the Group completed an acquisition of 79.51% equity interests in The Sincere Company, Limited ("Sincere") (Stock code: 244) and its subsidiaries ("Sincere Group") from the independent third parties, for total cash consideration of HK$411,088,000. The acquisition has been accounted for using the purchase method.

The principal activities of Sincere Group mainly consisted of the operation of department stores, securities trading and the provision of general and life insurances. The acquisition was made as part of the Group strategy to diversify its business and tap into the department store business in Hong Kong.

46. BUSINESS COMBINATIONS (Continued)

The fair values of the identifiable assets and liabilities of Sincere Group at the acquisition date were as follows:

	HK$'000
Property, plant and equipment (note 18)	224,539
Other intangible assets (note 22)	10,664
Equity instruments at FVTOCI (note 55b)	29,625
Prepayments, deposits and other receivables	40,926
Pension scheme assets (note 24)	19,585
Inventories	42,618
Trade receivables	1,200
Financial assets at FVTPL	12,863
Pledged bank balances and deposits	102,039
Bank balances and cash	112,260
Trade payables	(32,774)
Contract liabilities	(618)
Insurance contracts liabilities (note 36)	(1,293)
Other payables and accruals	(47,843)
Other loans (note 53)	(154,693)
Bank borrowings (note 53)	(151,166)
Lease liabilities (note 53)	(83,876)
Deferred tax liabilities (note 42)	(1,780)
Total identifiable net assets at fair value	122,276

Goodwill arising on acquisition

	HK$'000
Consideration transferred	411,088
Add: NCI	94,736
Less: gift receivable from Win Dynamic (note 49)	(150,001)
Less: fair value of identifiable assets acquired	(122,276)
	233,547

46. BUSINESS COMBINATIONS (Continued)

Net cash outflow on acquisition

	HK$'000
Bank balances and cash acquired	112,260
Less: cash consideration paid	(411,088)
	(298,828)

The NCI arising from the acquisition of non-wholly owned subsidiaries are measured by reference to the proportionate share of the fair value of the acquiree's identifiable net assets at the acquisition date and amounting to HK$272,277,000.

Goodwill arose in the acquisition of Sincere Group because the cost of the combination included a control premium.

Since the acquisition, Sincere Group contributed HK$95,044,000 to the Group's revenue and incurred a loss of HK$30,661,000 which was included in the Group's results for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year ended 31 December 2021, the revenue and the profit of the Group would have been HK$1,358,012,000 and HK$63,372,000, respectively.

Acquisition-related costs amounting to HK$14,550,000 have been excluded from the consideration transferred and have been recognised as administrative expenses in the consolidated statement of profit or loss.

46. BUSINESS COMBINATIONS (Continued)

Disposal of subsidiaries without loss of control

In addition, the placing was completed on 30 July 2021 and following the completion, the number of shares of Sincere held by the Group decreased from 1,044,695,362 shares to 985,471,362 shares, representing a decrease of shareholding from 79.51% to 75.00% of the total number of issued shares of Sincere.

The Group disposed of its 4.51% interest in Sincere at a consideration of HK$33,853,000. The carrying amount of the NCI in Sincere on the date of disposal was HK$94,513,000. The Group recognised an increase in NCI of HK$9,371,000 and an increase in equity attributable to owners of the Company of HK$24,482,000. The effect of changes in the ownership interest of Sincere on the equity attributable to owners of the Company during the year is summarised as follows:

	HK$'000
Carrying amount of NCI disposed of	(9,371)
Consideration received from NCI	33,853
Gain on disposal within equity	24,482

Effect of transactions with NCI on the equity attributable to owners of the Company for the year ended 31 December 2021

	HK$'000
Total comprehensive income for the year attributable to owners of the Company	368,069
Changes in equity attributable to owners of the Company arising from the disposal of subsidiaries without loss of control	24,482
Net effect for transactions with NCI on changes in equity attributable to owners of the Company	392,551

47. CAPITAL CONTRIBUTION FROM CONTROLLING SHAREHOLDER

On 31 December 2021, the Group acquired 70.5% equity interests in Caribbean Group, from Dr. Lin, at nil consideration. Caribbean Group is engaged in property development in Grenada.

Caribbean Group did not carry out any significant business transactions prior to the date of acquisition and only had two pieces of lands situated in Grenada. Therefore, the Group considered this would be an acquisition of assets in substance and the net assets acquired would be recognised as "Capital contribution from controlling shareholder" in equity.

The NCI recognised at the acquisition date are measured by reference to the proportionate share of the carrying amount.

Further details are set out in the announcement of the Company dated 1 December 2021 and 31 December 2021.

The carrying amount of assets acquired at the completion date were as follows:

	HK$'000
Property, plant and equipment (note 18)	**1,997**
Investment properties (note 20)	**345,787**
Prepayments, deposits and other receivables	**8,712**
Amounts due from related parties	**1,006**
Bank balances and cash	**1,146**
Other payables and accruals	**(10,942)**
Amounts due to related parties (note 53)	**(19,628)**
Lease liabilities (note 53)	**(1,996)**
	326,082
Less: NCI	**(97,189)**
Net assets acquired	**228,893**

Net cash inflow on acquisition	**HK$'000**
Bank balances and cash acquired	**1,146**

48. CONTINGENT LIABILITIES

Claim from former director of Sincere

As set out in the announcement of Sincere dated 11 June 2021, Sincere received a statutory demand (the "Statutory Demand") dated 4 June 2021 from the legal adviser acting on behalf of Mr. Philip KH Ma ("Mr. Philip Ma"), the former chairman, chief executive officer and director of Sincere, pursuant to Section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong), demanding Sincere to pay the amount of HK$8,244,000, which is asserted to be outstanding remunerations under an employment contract due to Mr. Philip Ma, within 21 days from the date of service of the Statutory Demand, failing which Mr. Philip Ma may present a winding up petition against Sincere.

As disclosed in the announcement of Sincere dated 23 June 2021, Sincere has sought legal advice in respect of the Statutory Demand and was advised that the Statutory Demand is a nullity. Sincere was also advised that it has a bona fide dispute to the sum demanded by Mr. Philip Ma. Sincere had, through its legal advisers, requested Mr. Philip Ma to (i) withdraw the Statutory Demand and (ii) undertake not to issue any winding-up petition against Sincere in reliance on the Statutory Demand.

On 21 June 2021, Sincere received a Forms of Claim dated 17 June 2021 by Mr. Philip Ma with the Labour Tribunal (the "LBTC Claim"). According to the said Form of Claim, Mr. Philip Ma claims against Sincere for unpaid director's fees and management fees allegedly due from four subsidiaries of Sincere in the total sum of HK$8,244,000, which is the same amount as that demanded by him in the Statutory Demand. Sincere further received a letter from Mr. Philip Ma's legal advisers on 21 June 2021 stating that Mr. Philip Ma will not present a winding-up petition against Sincere in respect of the alleged outstanding remunerations stated in the Statutory Demand pending the determination of the Labour Tribunal.

Call-over hearings in respect of the LBTC Claim were held at the Labour Tribunal on 8 July 2021 and 1 November 2021. Mr. Philip Ma increased his claim in the LBTC Claim to include additional claims that Sincere owed him an alleged partial unpaid director's fees for the period from 1 March 2021 to 30 June 2021 and payment in lieu of annual leave entitlement; and in respect of the certain subsidiaries of Sincere, Mr. Philip Ma also included his claim for director's fees and management fees for the period between March to June 2021 and certain entertainment allowance.

The LBTC Claim was subsequently transferred to Court of First Instance of the High Court of Hong Kong, in which Mr. Philip Ma claimed a total sum of approximately HK$12,064,000 by including the additional claims in the aforesaid paragraph. Sincere has instructed its legal advisers to defend Mr. Philip Ma's claims in the High Court.

Therefore, no provision has been made as at 31 December 2021.

49. LITIGATION

Deed and purported cancellation

On 29 October 2020, Win Dynamic, the then controlling shareholder of Sincere, executed a deed in favour of Sincere at no consideration (the "Deed"). Pursuant to the Deed, Win Dynamic has irrevocably undertaken to Sincere to gift to Sincere the sum falling to be paid by the Company to Win Dynamic upon its acceptance of the offer to acquire all the 662,525,276 shares of Sincere held by it (the "Offer"), which was expected to amount to approximately HK$260,443,000 (after deducting Win Dynamic's ad valorem stamp duty). As disclosed in the announcement of Sincere dated 29 October 2020, Sincere at that time intended that this gift from Win Dynamic, when received, would be applied as working capital of Sincere Group.

On 4 February 2021, Sincere announced that the board of directors of Sincere (the "Sincere Board") had received a letter from Win Dynamic dated 3 February 2021 stating Win Dynamic's declaration that the Deed was null and void and cancelled with immediate effect, for the reason that it was executed by Win Dynamic under undue influence and duress, given without separate legal representation or proper advice, and was an undervalue transaction pursuant to section 265D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Purported Cancellation").

As stated in the Sincere's announcement dated 4 February 2021, the Sincere Board (with Mr. Philip Ma and Mr. Charles M W Chan (collectively the "Dissenting Directors")) did not admit that the Deed was null or void or had been cancelled. For the interest of Sincere and its shareholders as a whole, the Sincere Board had resolved to include the review of the implication of the Purported Cancellation to the term of reference of the independent committee of the Sincere Board comprising independent non-executive directors, namely Mr. King Wing Ma, Mr. Eric K K Lo, Mr. Peter Tan and Mr. Anders W L Lau (collectively the "Sincere IBC"). The Sincere IBC had thereafter sought separate legal advice in respect of the Purported Cancellation.

In response to a letter from the legal adviser of the Sincere IBC to Win Dynamic requesting for evidence to support its reason for the Purported Cancellation, Win Dynamic responded in its reply letter that its professional adviser had advised it not to provide to Sincere any information relating to the Deed.

49. LITIGATION (Continued)

Deed and purported cancellation (Continued)

The Company was informed, amongst other things, that the Sincere Board (except for the Dissenting Directors) (i.e. the Sincere IBC) did not admit that the Purported Cancellation was valid or effective. In response to an email from the legal adviser of the Sincere IBC to the legal adviser of the Company requiring the proceeds received by Win Dynamic from its sale of shares of Sincere to the Company to be paid to Sincere and not Win Dynamic, the legal adviser of the Company responded, amongst other things, that the Company would conduct the Offer, including but not limited to the settlement of the cash consideration for the valid acceptances of the Offer, in accordance with the terms and conditions of the Offer and in compliance with the Code on Takeovers and Mergers.

On 12 May 2021, Sincere was informed by the legal adviser of the Company that the Company had issued a writ of summons with an indorsement of claim (the "Writ") in the High Court of the Hong Kong Special Administrative Region (the "Court") against Win Dynamic on 10 May 2021 in relation to the Purported Cancellation (the "Action"). The Company claimed against Win Dynamic, among others, for an order of specific performance requiring Win Dynamic to forthwith pay Sincere the net proceeds in respect of Sincere's shares tendered by Win Dynamic for acceptance of the Offer, after deducting the seller's ad valorem stamp duty payable by it, amounting to approximately HK$260,435,000 (the "WD Proceeds"), or such other sum as the Court may determine.

The Company also applied to the Court for an interlocutory injunction against Win Dynamic (the "Injunction Application") on 11 May 2021 which was heard by the Court on 14 May 2021. Upon hearing submissions from the parties, the Court has adjourned the hearing of the Injunction Application to a date to be fixed for substantive argument, and the Court has granted an interim-interim injunction, which shall remain in force pending the substantive determination of the Injunction Application, restraining Win Dynamic from, among others, (a) removing from Hong Kong any of its assets which are within Hong Kong, whether in its own name or not, and whether solely or jointly owned, up to the value of the WD Proceeds, or (b) in any way disposing of or dealing with or diminishing the value of any of its assets, which are within Hong Kong, whether in its own name or not, and whether solely or jointly owned, and whether or not Win Dynamic assets a beneficial interest in them up to the value of the WD Proceeds.

By a Notice of Hearing dated 18 November 2021, the date of the substantive hearing of the Injunction Application has been fixed for 27 May 2022 at 10 a.m..

49. LITIGATION (Continued)

Deed and purported cancellation (Continued)

Sincere on 16 July 2021 resolved that it was in the interest of Sincere and its shareholders to commence legal proceedings against Win Dynamic in relation to the Purported Cancellation. Subsequently, Sincere had agreed to be joined as a party to the proceedings initiated by the Company. Accordingly, the Company sought the consent from Win Dynamic to join Sincere as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant in the proceedings. As such, on 6 October 2021, the Company and Win Dynamic had jointly applied to the Court for, among others, (i) leave to join Sincere as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant and (ii) leave to amend the Writ and the statement of claim in relation to the Purported Cancellation (the "Joinder Application").

On 9 November 2021, the Court had granted an order in terms of the Joinder Application that, amongst other things, the Company was granted with leave to (i) join Sincere as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant in the Action, and (ii) amend the Writ and the statement of claim in relation to the Purported Cancellation (the "Joinder Order").

On 15 November 2021, the Company and Sincere instructed their solicitors to issue the amended Writ and the amended statement of claim against Win Dynamic and Mr. Philip Ma pursuant to the Joinder Order, and serve the same on Mr. Philip Ma on the same day. Sincere claimed against Win Dynamic and Mr. Philip Ma for, among others, (i) an order of specific performance of the Deed requiring Win Dynamic to forthwith pay Sincere the WD Proceeds, or such other sum as the Court may determine, and (ii) a declaration that the Deed is valid and binding, and Mr. Philip Ma had breached his contractual and/or fiduciary duties to Sincere.

By an acknowledgment of service of amended writ of summons filed and served on 1 December 2021, Mr. Philip Ma stated that he intended to contest the Action.

Win Dynamic and Mr. Philip Ma had filed and served their defence and counterclaim in the Action on 18 January 2022 and 14 March 2022 respectively. Win Dynamic and Mr. Philip Ma averred, among others, that the Company and Sincere were not entitled to any remedy against them. They further counterclaimed against the Company and Sincere for, among others, a declaration that the Deed is null and void and/or unenforceable, or alternatively, that the Deed was lawfully rescinded, cancelled or revoked by Win Dynamic and is of no legal effect.

Further details are disclosed in the announcements of Sincere dated 29 October 2020 and 4 February 2021, the offer document of the Company dated 5 May 2021 and the response document of Sincere dated 20 May 2021.

49. LITIGATIONS (Continued)

Deed and purported cancellation (Continued)

Sincere has sought legal advice in respect of this litigation and was advised that (i) the Deed is enforceable, and (ii) Sincere has legal and contractual rights over the WD Proceeds. Therefore, the WD Proceeds is initially recognised as "Gift receivable from Win Dynamic" in the book of Sincere with an amount of HK$150,001,000, being the fair value of the WD Proceeds which is determined based on a credit-adjusted effective interest rate of 9.66%.

As at 31 December 2021, the carrying amount of gift receivable from Win Dynamic (under non-current portion of "Prepayments, deposits and other receivables") amounting to HK$158,870,000 (net of ECL allowance of HK$445,000). During the year ended 31 December 2021, the Group has also recognised imputed interest income on gift receivable from Win Dynamic (under "Other income") of HK$9,314,000.

50. LEASE COMMITMENTS

(a) As lessor

The Group leases certain investment properties (note 20) and subleases certain premises under operating lease arrangement (note 18), with leases negotiated for terms ranging from one to ten years (2020: one to ten years). The terms of the leases generally also require the tenants to pay security deposits.

The Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**9,249**	7,569
After one year but within two years	**2,868**	1,443
After two years but within three years	**2,323**	911
After three years but within four years	**1,679**	694
After four years but within five years	**1,050**	685
After five years	**2,088**	2,609
	19,257	13,911

50. LEASE COMMITMENTS (Continued)

(b) As lessee

As at 31 December 2021 and 2020, the Group had lease commitments for short-term leases as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**2,654**	2,646

As at 31 December 2021 and 2020, the Group leases certain office premises and office equipment with a lease period of 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

51. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
– Capital injection in a joint venture engaged in securities brokerage business	**427,980**	415,293
– Investment property	**249,600**	–
– Leasehold improvements	**1,101**	1,471
	678,681	416,764

52. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Related party transactions

	2021 HK$'000	2020 HK$'000
Interest expense on loans from ultimate holding company	**70,023**	85,233
Service fee paid to a related company controlled by the directors of the Company	**6,397**	6,897
Management fee paid to a related company controlled by a director of the Company in the PRC	**984**	839
Securities service fee received from the directors and controlling shareholders	**32**	40

(b) Other transactions with related parties

During the year ended 31 December 2021, the Group received loans from and repaid to ultimate holding company of HK$542,353,000 (2020: HK$3,434,748,000) and HK$186,324,000 (2020: HK$3,393,068,000), respectively.

(c) Compensation of key management personnel of the Group

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**12,564**	12,588
Post-employment benefits	**54**	54
	12,618	12,642

Further details of directors' emoluments are included in note 13.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	Bank borrowings HK$'000	Other loans HK$'000	Loans from ultimate holding company HK$'000	Amounts due to related parties HK$'000	Interest payable HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2020	7,968,992	–	687,688	69,496	–	59,768	8,785,944
Financing cash flows	1,431,790	–	41,680	(1,549)	(626,851)	(34,255)	810,815
Non-cash transactions:							
– Finance costs	–	–	–	–	626,851	1,191	628,042
– Lease modification	–	–	–	–	–	2,327	2,327
– Lease termination	–	–	–	–	–	(97)	(97)
– Entering into new leases	–	–	–	–	–	9,872	9,872
– Exchange loss recognised in profit or loss	493,916	–	14,824	–	–	–	508,740
– Exchange loss recognised in other comprehensive income	213,325	–	–	3,914	–	224	217,463
As at 31 December 2020 and 1 January 2021	10,108,023	–	744,192	71,861	–	39,030	10,963,106
Financing cash flows	**(74,108)**	**(151,953)**	**356,029**	**16,661**	**(688,214)**	**(82,863)**	**(624,448)**
Non-cash transactions:							
– Acquisition of subsidiaries (note 46)	**151,166**	**154,693**	**–**	**–**	**–**	**83,876**	**389,735**
– Capital contribution from controlling shareholder (note 47)	**–**	**–**	**–**	**19,628**	**–**	**1,996**	**21,624**
– Finance costs	**–**	**–**	**–**	**–**	**688,214**	**5,123**	**693,337**
– Covid-19-related rent concessions	**–**	**–**	**–**	**–**	**–**	**(5,237)**	**(5,237)**
– Lease modification	**–**	**–**	**–**	**–**	**–**	**62,455**	**62,455**
– Lease termination	**–**	**–**	**–**	**–**	**–**	**(109)**	**(109)**
– Entering into new leases	**–**	**–**	**–**	**–**	**–**	**509**	**509**
– Exchange loss recognised in profit or loss	**–**	**–**	**26,975**	**–**	**–**	**–**	**26,975**
– Exchange loss recognised in other comprehensive income	**293,843**	**–**	**–**	**1,088**	**–**	**557**	**295,488**
As at 31 December 2021	**10,478,924**	**2,740**	**1,127,196**	**109,238**	**–**	**105,337**	**11,823,435**

54. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using a gearing ratio, which is the total of interest-bearing bank borrowings, other loans and loans from ultimate holding company divided by equity attributable to owners of the Company. The Group's policy is to maintain the gearing ratio at a suitable level. The gearing ratios at the end of the reporting periods are as follows:

	2021	2020
	HK$'000	HK$'000
Bank borrowings	**10,478,924**	10,108,023
Other loans	**2,740**	–
Loans from ultimate holding company	**1,127,196**	744,192
	11,608,860	10,852,215
Equity attributable to owners of the Company	**4,133,072**	3,505,463
Gearing ratio	**281%**	310%

55. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised cost	**1,793,063**	2,485,061
Financial assets at FVTPL	**81,206**	15,297
Financial asset at FVTOCI	**39,624**	8,899
Financial liabilities		
Financial liabilities at amortised cost	**12,154,727**	11,238,034

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, receivables arising from securities broking, loan receivables, cash held on behalf of clients, pledged bank balances and deposits, bank balances and cash, financial assets at FVTPL/FVTOCI, trade payables, other payables, payables arising from securities broking, bank borrowings, other loans, amounts due from/to related parties, lease liabilities and loans from ultimate holding company. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group is subject to foreign exchange rate risk arising from assets and liabilities which are denominated in currency other than the functional currencies of the relevant group entity. The Group's foreign currency transactions and balances are principally denominated in US$, Japanese Yen ("JPY"), RMB and HK$. The Group is exposed to the foreign exchange rate risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group currently does not have a currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant currency exposure should the need arises.

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The Group's foreign currency denominated monetary assets and liabilities include trade receivables, other receivables, bank balances and cash, trade payables, other payables and loans from ultimate holding company at the end of respective reporting period and the carrying amounts are as follows:

	2021	2020
	HK$'000	HK$'000
Assets		
RMB against HK$	**489,191**	1,085,132
US$ against HK$	**11,373**	199,116
JPY against HK$	**24,416**	35,741
Others	**1,823**	193
Liabilities		
RMB against HK$	**124,501**	154,371
JPY against HK$	**14,574**	15,671

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group's foreign currency risk is concentrated on the fluctuation of HK$, RMB and JPY against foreign currency. The exposure of US$ against HK$ is considered insignificant as HK$ is pegged to US$, therefore is excluded from the sensitivity analysis below.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB and JPY. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit for the year where HK$ weakens 5% against RMB and JPY. For a 5% strengthening of HK$ against RMB and JPY, there would be an equal and opposite impact on profit for the year and the balance below would be negative.

	2021	2020
	HK$'000	HK$'000
RMB	**13,676**	34,904
JPY	**384**	783

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, other loans, amounts due to related parties and loans from ultimate holding company. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 32) and variable-rate bank borrowings (note 38).

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR and Prime Rate arising from the Group's HK$ denominated bank borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2021, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year ended 31 December 2021 would have been HK$2,320,000 (2020: HK$1,706,000) lower/higher.

(iii) Other price risk

The Group is exposed to equity price risk arising from equity investments classified as financial assets at FVTPL (note 30) as at 31 December 2021 and 2020. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair value of the equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Increase/Decrease in profit for the year	
	2021	2020
	HK$'000	HK$'000
Equity investments:		
– Financial assets at FVTPL	**5,420**	433

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at 31 December 2021 and 2020 is the carrying amounts as disclosed in note 55a. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except for the credit risks associated with receivables arising from securities broking are mitigated because they are secured by listed securities in Hong Kong.

(i) Trade receivables

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Accordingly, the Group's concentration of credit risk is considered minimal. As part of the Group's credit risk management, trade debtors are assessed individually by reference to any historical default or delay in payments, historical settlements record and current past due exposure of the debtor. The Group then applies an internal credit rating for each debtor and the average loss rates for the year ended 31 December 2021 ranged from 0.1% to 21.9% (2020: 0.1% to 4.4%).

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

(ii) Receivables arising from securities broking

In order to manage the credit risk in the receivables from clients arising from securities broking, individual credit evaluation are performed on all clients including cash clients and margin clients. Cash clients accounts receivable are generally settled in two trading days after trade date. Hence, credit risk arising from the cash clients accounts receivable is considered minimal. For margin clients, the Group normally obtains liquid securities as collateral based on the margin requirements. The Group has not granted any committed facility amount to each of the margin clients and the margin loan is granted by the Group depending on the assessment of the quality of the collateral and credit risk of the respective client. The margin requirement is closely monitored on a daily basis by the designated team. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

As part of the Group's credit risk management, management estimates impairment loss on loans to margin clients individually on each debtor by reference to any historical default or delay in payments, historical settlements record and current past due exposure of the debtor. The Group then applies an internal credit rating for each debtor and the average loss rate for not credit-impaired margin clients for the year ended 31 December 2021 is approximately 0.6% (2020: 0.8%).

(iii) Loan receivables

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on balances individually.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. The Group then applies an internal credit rating for each debtor and the average loss rates for the year ended 31 December 2021 is approximately 0.6% to 21.9% (2020: 0.8% to 23.1%).

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

(iv) Bank balances, pledged bank balances and deposits and cash held on behalf of clients

The Group mainly transacts with banks with high credit ratings. The credit risk for bank balances, pledged bank balances and deposit and cash held on behalf of clients as at 31 December 2021 and 2020 is considered as not material as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies.

The Group assessed 12-month ECL on these balances by reference to probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that the ECL are insignificant as at 31 December 2021 and 2020 and thus no impairment loss was recognised.

(v) Other receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	Not past due/ No fixed repayment HK$'000	Total HK$'000
2021	**63,061**	**140,208**	**203,269**
2020	70,493	161,016	231,509

Management has taken into account the past due information as above and comparable external credit rating assigned by international credit-rating agencies on debtor of similar type to review the recoverable amount of other receivables at the end of the reporting period to ensure that adequate impairment losses was recognised for irrecoverable debts, if applicable.

The Group assessed the ECL on other receivables from a local government authority in the PRC by reference to the probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that the ECL are insignificant at initial recognition and as at 31 December 2021 and 2020 and thus no impairment loss was recognised.

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

(vi) Purchased or originated credit-impaired loan receivables

The Group has undertaken an internal approval process before executing the decision of acquisition of investments including purchased or originated credit-impaired financial assets. The loss rate of which at initial recognition is approximately 1.7% (2020: 1.8%).

(vii) Gift receivable from Win Dynamic (credit-impaired)

The Group makes various assumptions when estimating the ECL of gift receivable from Win Dynamic, including forward-looking scenarios and their likelihoods, counterparty's credit rating, and probability of defaults and recovery rate. The average loss rate of which at initial recognition is approximately 0.28%.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ Receivables arising from securities broking/ Loan receivables	Other financial assets/ Other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL (not credit-impaired)	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL (not credit-impaired)	12-month ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost, which are subject to the ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount	
					HK$'000	HK$'000
As at 31 December 2021						
Pledged bank balances and deposits	38i	Aaa	N/A	12-month ECL (not credit-impaired)	**120,153**	**120,153**
Cash held on behalf of clients	31	Aaa	N/A	12-month ECL (not credit-impaired)	**143,835**	**143,835**
Bank balances	32	Ba1 – Aaa	N/A	12-month ECL (not credit-impaired)	**229,645**	**229,645**
Trade receivables	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	**374,425**	
			Watch list	Lifetime ECL (not credit-impaired)	**244**	**374,669**
Receivables arising from securities broking	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	**290,531**	**290,531**
Loan receivables	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	**136,000**	
			Watch list	Lifetime ECL (not credit-impaired)	**70,999**	**206,999**
Other receivables	28	N/A	Low risk	12-month ECL (not credit-impaired)	**140,208**	
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	**63,061**	**203,269**
Purchased or originated credit-impaired loan receivables	28	N/A	Loss	Lifetime ECL (credit-impaired)	**101,165**	**101,165**
Gift receivable from Win Dynamic	28	N/A	Loss	Lifetime ECL (credit-impaired)	**159,315**	**159,315**
Amounts due from related parties	40	N/A	Low risk	12-month ECL (not credit-impaired)	**1,598**	**1,598**

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

	Notes	External credit rating	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	HK$'000
As at 31 December 2020						
Cash held on behalf of clients	31	Aaa	N/A	12-month ECL (not credit-impaired)	119,538	119,538
Bank balances	32	Ba1 – Aaa	N/A	12-month ECL (not credit-impaired)	1,268,295	1,268,295
Trade receivables	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	460,382	
			Watch list	Lifetime ECL (not credit-impaired)	46	460,428
Receivables arising from securities broking	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	165,329	165,329
Loan receivables	27	N/A	Low risk	Lifetime ECL (not credit-impaired)	88,549	
			Watch list	Lifetime ECL (not credit-impaired)	89,130	177,679
Other receivables	28	N/A	Low risk	12-month ECL (not credit-impaired)	161,016	
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	70,493	231,509
Purchased or originated credit-impaired loan receivables	28	N/A	Loss	Lifetime ECL (credit-impaired)	97,462	97,462

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The average loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure of default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by management to assess both the current as well as the forecast direction of conditions at the end of the reporting period. The internal credit rating categories are regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2020	6,337
Impairment losses recognised, net	4,682
As at 31 December 2020 and 1 January 2021	**11,019**
Impairment losses recognised, net	**9,133**
Written off during the year	**(709)**
As at 31 December 2021	**19,443**

During the year ended 31 December 2021, net impairment losses on trade receivables of HK$9,133,000 (2020: HK$4,682,000) was recognised in profit or loss.

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for receivables arising from securities broking.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2020	9
Impairment losses recognised, net	1,947
As at 31 December 2020 and 1 January 2021	**1,956**
Impairment losses reversed, net	**(1,868)**
As at 31 December 2021	**88**

During the year ended 31 December 2021, net reversal of impairment losses on receivables arising from securities broking of HK$1,868,000 (2020: net impairment losses of HK$1,947,000) was recognised in profit or loss.

The following table shows the movement in lifetime ECL that has been recognised for loan receivables.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2020	**–**
Impairment losses recognised	**20,626**
As at 31 December 2020 and 1 January 2021	**20,626**
Impairment losses reversed, net	**(4,064)**
As at 31 December 2021	**16,562**

During the year ended 31 December 2021, net reversal of impairment losses on loan receivables of HK$4,064,000 (2020: net impairment losses of HK$20,626,000) was recognised in profit or loss.

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for purchased or originated credit-impaired loan receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**1,578**

The following table shows the movement in lifetime ECL that has been recognised for gift receivable from Win Dynamic

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2021	–
Impairment losses recognised	**445**
As at 31 December 2021	**445**

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management monitors the utilisation of bank borrowings and other loans and ensures compliance with loan covenants. Details of the Group's bank borrowings and other loans are set out in notes 38 and 39.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
As at 31 December 2021					
Trade payables	**54,926**	**–**	**–**	**54,926**	**54,926**
Payables arising from securities broking	**148,176**	**–**	**–**	**148,176**	**148,176**
Other payables	**124,365**	**4,663**	**–**	**129,028**	**128,190**
Bank borrowings	**1,002,241**	**9,206,114**	**1,804,823**	**12,013,178**	**10,478,924**
Other loans	**2,247**	**548**	**–**	**2,795**	**2,740**
Amounts due to related parties	**109,238**	**–**	**–**	**109,238**	**109,238**
Lease liabilities	**67,769**	**45,375**	**–**	**113,144**	**105,337**
Loans from ultimate holding company	**–**	**1,197,219**	**–**	**1,197,219**	**1,127,196**
	1,508,962	**10,453,919**	**1,804,823**	**13,767,704**	**12,154,727**
As at 31 December 2020					
Trade payables	34,819	–	–	34,819	34,819
Payables arising from securities broking	139,642	–	–	139,642	139,642
Other payables	55,774	48,000	–	103,774	100,467
Bank borrowings	1,294,527	8,950,108	1,928,968	12,173,603	10,108,023
Amounts due to related parties	71,861	–	–	71,861	71,861
Lease liabilities	34,413	5,170	–	39,583	39,030
Loans from ultimate holding company	–	799,570	–	799,570	744,192
	1,631,036	9,802,848	1,928,968	13,362,852	11,238,034

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings and overdrafts with a repayment on demand clause are included in "On demand or within 1 year" time band in the above maturity analysis.

As at 31 December 2021, the aggregate undiscounted principal and interest of these bank borrowings and other loans payable within one year in accordance with the scheduled payment terms were HK$384,399,000 (2020: HK$223,380,000).

As at 31 December 2021, taking into account of the Group's financial position, the directors of the Company do not believe that it is probable that the banks and counterparty will exercise their discretionary rights to demand immediate repayment. Included in the above balances, the directors of the Company believe that such bank borrowings and other loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

Insurance risk management

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments may exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid which are greater than originally estimated and subsequent development of long tail claims. At the end of the reporting period, no claims and benefit payments of life insurances were unsettled.

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Fair values of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Certain financial assets of the Group are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial asset	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key input
	2021	2020		
	HK$'000	HK$'000		
Financial assets at FVTPL				
– Club and school debentures	**13,991**	10,108	Level 2	Estimated transaction prices
– Listed equity investments	**64,906**	5,189	Level 1	Quoted bid prices in an active market
– Other investments	**2,309**	–	Level 2	Quoted prices from the fund managers
Financial assets at FVTOCI and asset classified as held for sale				
– Unlisted investments	**30,453**	–	Level 3	Market approach and discount for lack of marketability of 30.9%

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

During the year ended 31 December 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (2020: Nil).

55. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Fair values of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

The fair value of equity investments at FVTOCI is determined using the market approach adjusted for lack of marketability discount. The fair value is negatively correlated to the discount for lack of marketability.

As at 31 December 2021, it is estimated that an increase/(decrease) of 3% in the unobservable input, with all other variables held constant, would have (decreased)/increased the Group's other comprehensive income as follows:

	Increase/ (Decrease) in unobservable input	**(Decrease)/ Increase in other comprehensive income**
	%	**HK$'000**
Discount for lack of marketability	3	(800)
	(3)	818

The movement of equity investments at FVTOCI and asset classified as held for sale during the year in the balance of Level 3 fair value measurements is as follows:

	2021	2020
	HK$'000	HK$'000
Equity investments at FVTOCI		
At the beginning of the year	**–**	–
Acquisition of subsidiaries (note 46)	**29,625**	–
Net gains recognised in other comprehensive income	**828**	–
Transfer to asset classified as held for sale	**(26,646)**	–
At the end of the year	**3,807**	–
Asset classified as held for sale		
At the beginning of the year	**–**	–
Transfer from equity investment at FVTOCI	**26,646**	–
At the end of the year	**26,646**	–

56. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The disclosures set out in the table below include financial assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and are settled simultaneously. In addition, the Group has a legally enforceable right to set off all clients accounts receivable and payable at any time without prior notice to clients and the Group intends to settle these balances on a net basis.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set off of the recognised amounts is only enforceable following an event of default.

56. OFFSETTING FINANCIAL ASSETS AND LIABILITIES (Continued)

	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial liabilities/ assets set off in the consolidated statement of financial position	Net amounts of financial assets/ liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2021						
Assets						
Receivables arising from securities broking	**304,371**	**(13,928)**	**290,443**	**(4,069)**	**(277,688)**	**8,686**
Liabilities						
Payables arising from securities broking	**162,104**	**(13,928)**	**148,176**	**(1,008)**	**–**	**147,168**
As at 31 December 2020						
Assets						
Receivables arising from securities broking	195,547	(32,174)	163,373	(18,643)	(140,470)	4,260
Liabilities						
Payables arising from securities broking	171,816	(32,174)	139,642	(6,717)	–	132,925

* The item "collateral received" represents the securities pledged in the clients' account which are not recognised in the consolidated statement of financial position. The amounts are capped at the lower of the market value of securities and the net receivable amounts on a client by client basis.

57. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**96**	10,128
Investments in subsidiaries	**5,388,574**	5,000,792
Prepayments, deposits and other receivables	**3,970**	4,914
	5,392,640	5,015,834
CURRENT ASSETS		
Prepayments, deposits and other receivables	**5,994**	606
Amounts due from subsidiaries	**5,189,538**	4,706,343
Financial assets at FVTPL	**56,971**	–
Cash and cash equivalents	**7,690**	566,299
	5,260,193	5,273,248
CURRENT LIABILITIES		
Trade payables	**842**	–
Other payables and accruals	**6,801**	4,487
Amounts due to subsidiaries	**8,013,084**	7,861,701
Lease liabilities	**–**	10,225
	8,020,727	7,876,413
NET CURRENT LIABILITIES	**(2,760,534)**	(2,603,165)
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,632,106**	2,412,669
EQUITY		
Share capital	**143,971**	143,821
Reserves (note)	**1,283,394**	1,524,656
	1,427,365	1,668,477
NON-CURRENT LIABILITIES		
Loans from ultimate holding company	**1,204,741**	744,192
	2,632,106	2,412,669

57. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of the Company's reserves are as follows:

	Share premium HK$'000	Share options reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2020	**1,918,627**	**15,054**	**586,594**	**(553,699)**	**1,966,576**
Loss and total comprehensive expense for the year	–	–	–	**(441,920)**	**(441,920)**
As at 31 December 2020 and 1 January 2021	**1,918,627**	**15,054**	**586,594**	**(995,619)**	**1,524,656**
Loss and total comprehensive expense for the year	–	–	–	**(247,277)**	**(247,277)**
Exercise of share options	**6,015**	**(2,895)**	–	**2,895**	**6,015**
Lapse of share options	–	**(3,281)**	–	**3,281**	–
As at 31 December 2021	**1,924,642**	**8,878**	**586,594**	**(1,236,720)**	**1,283,394**

58. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%) 2021	2020	Place of operation	Principal activity
Realord Asset Management Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Citibest Global Limited	BVI	US$50,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord Ventures Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Manureen Ventures Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord Investment Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Bright Success Inc.	BVI	US$1 ordinary share	**100**	100	Hong Kong	Investment holding
Capital Conference Services Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Provision of conference services
Capital Financial Press Limited	Hong Kong	HK$800,000 ordinary shares	**100**	100	Hong Kong	Commercial printing
Concept Star Corporation Limited	Hong Kong	HK$2 ordinary shares	**100**	100	Hong Kong	Property investment
Easy Bloom Investment Limited	Hong Kong	HK$1 ordinary share	**100**	100	Hong Kong	Property investment and investment holding
Qualiti Printing and Sourcing Limited	Hong Kong	HK$3,750,000 ordinary shares	**100**	100	Hong Kong	Trading of hangtags, labels and shirt paper boards
Realord Asia Pacific Securities Limited	Hong Kong	HK$153,000,000 ordinary shares	**89.3**	89.3	Hong Kong	Provision of securities broking services and margin financing
Realord Vehicle Parts Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Distribution and sale of motor vehicle parts

58. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%) 2021	2020	Place of operation	Principal activity
Excellent Well (H.K.) Limited	Hong Kong	HK$1 ordinary share	**100**	100	Hong Kong	Property investment
Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection")	Hong Kong	HK$21,046,110 ordinary shares	**61.3**	61.3	Hong Kong	Investment holding and trading of scrap materials
Realord Asia Pacific Asset Management Limited (Formerly known as Strabens Hall (Hong Kong) Limited)	Hong Kong	HK$45,000,000 ordinary shares	**100**	100	Hong Kong	Provision of securities advisory and asset management services
Absolute Holdings Limited	Hong Kong	HK$1 ordinary share	**100**	100	Hong Kong	Property investment
Optima Capital	Hong Kong	HK$10,000,000 ordinary shares	**60**	60	Hong Kong	Provision of securities broking, securities advisory and financial advisory services
Realord Finance Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Money lending
偉祿商業(深圳)有限公司	The PRC	Paid-up capital of HK$36,000,000	**100**	100	The PRC	Trading of electronic products and computer components/property investment
深圳市偉祿商業控股有限公司	The PRC	Paid-up capital of RMB32,000,000	**100**	100	The PRC	Property investment
前海美林融資租賃(深圳)有限公司	The PRC	Paid-up capital of US$6,506,880	**100**	100	The PRC	Provision of financial leasing services
前海偉祿跨境電子商務(深圳)有限公司	The PRC	Paid-up capital of HK$115,000,000	**100**	100	The PRC	Development and sale of e-commerce platform/ trading of products
冠彰電器(深圳)有限公司	The PRC	Paid-up capital of HK$30,000,000	**100**	100	The PRC	Property investment

58. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%)		Place of operation	Principal activity
			2021	2020		
廣西梧州市通寶再生物資有限公司	The PRC	Paid-up capital of HK$3,570,000	61.3	61.3	The PRC	Dismantling and trading of scrap materials
廣東偉祿汽車零件有限公司	The PRC	Paid-up capital of RMB40,000,000	100	100	The PRC	Distribution and sale of motor vehicle parts
深圳市偉祿科技控股有限公司	The PRC	Paid-up capital of RMB50,000,000	100	100	The PRC	Property investment
深圳市夏浦光電技術有限公司	The PRC	Paid-up capital of RMB50,000,000	100	100	The PRC	Property investment
Shenzhen Yousheng	The PRC	Paid-up capital of RMB20,000,000	51	51	The PRC	Property development
Realord Environmental Protection Japan Co, Ltd.	Japan	JPY90,000,000 ordinary shares	55.1	55.1	Japan	Processing and trading of scrap materials
Sincere (note 46)	Hong Kong	HK$469,977,000 ordinary share	75	–	Hong Kong	Operation of the development stores, securities trading and the provision of general and life insurance.
The Sincere Life Assurance Company, Limited	Hong Kong	HK$10,000,000 ordinary share	42.7	–	Hong Kong	Life insurance and investment
The Sincere Insurance & Investment Company, Limited	Hong Kong	HK$20,000,000 ordinary share	43.5	–	Hong Kong	Investment holding
Caribbean Education Industry Group Limited (note 47)	BVI	US$50,000 ordinary share	70.5	–	Grenada	Development of the project in Grenada
Hartman Group Ltd	Grenada	US$1,000,000 ordinary share	70.5	–	Grenada	Property development
Hartman Hotel Development Ltd	Grenada	US$10,000 ordinary share	70.5	–	Grenada	Property development

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

58. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes five (2020: three) subsidiaries/group of subsidiaries with material NCI, the details and the summarised financial information, before intragroup eliminations, are as follows:

Realord Environmental Protection and its subsidiaries

	2021 HK$'000	2020 HK$'000
Proportion of ownership interests and voting rights held by NCI	**38.7%**	38.7%
Current assets	**400,869**	567,476
Non-current assets	**52,367**	53,458
Current liabilities	**(177,150)**	(394,673)
Non-current liabilities	**(45,047)**	(4,381)
Net assets	**231,039**	221,880
Carrying amount to NCI	**87,321**	87,211
Revenue	**672,849**	544,070
Expenses	**(669,988)**	(529,073)
Profit for the year	**2,861**	14,997
Other comprehensive (expense)/income for the year	**(1,954)**	650
Total comprehensive income for the year	**907**	15,647
Profit attributable to NCI	**664**	6,178
Total comprehensive income attributable to NCI	**110**	6,382
Dividend paid to NCI	**–**	–
Net cash flows used in operating activities	**(37,526)**	(23,095)
Net cash flows from investing activities	**153,216**	33,631
Net cash flows used in financing activities	**(119,948)**	(9,932)
Net (decrease)/increase in cash and cash equivalents	**(4,258)**	604

58. PARTICULARS OF SUBSIDIARIES (Continued)

Optima Capital

	2021 HK$'000	2020 HK$'000
Proportion of ownership interests and voting rights held by NCI	**40%**	40%
Current assets	**34,217**	27,904
Non-current assets	**30,583**	39,653
Current liabilities	**(2,524)**	(6,963)
Non-current liabilities	**(4,603)**	(6,165)
Net assets	**57,673**	54,429
Carrying amount to NCI	**23,069**	21,772

	2021 HK$'000	2020 HK$'000
Revenue	**40,071**	39,696
Expenses	**(36,827)**	(35,934)
Profit and total comprehensive income for the year	**3,244**	3,762
Profit and total comprehensive income attributable to NCI	**1,297**	1,505
Dividend paid to NCI	**–**	–
Net cash flows (used in)/from operating activities	**(8,459)**	3,567
Net cash flows used in investing activities	**(156)**	(400)
Net (decrease)/increase in cash and cash equivalents	**(8,615)**	3,167

58. PARTICULARS OF SUBSIDIARIES (Continued)

Shenzhen Yousheng

	2021 HK$'000	2020 HK$'000
Proportion of ownership interests and voting rights held by NCI	**49%**	49%
Current assets	**1,634,583**	1,627,683
Non-current assets	**283**	209
Current liabilities	**(51,520)**	(43,043)
Net assets	**1,583,346**	1,584,849
Carrying amount to NCI	**769,045**	769,782

	2021 HK$'000	2020 HK$'000
Revenue	**–**	–
Expenses	**(1,562)**	(5,307)
Loss for the year	**(1,562)**	(5,307)
Other comprehensive income for the year	**58**	191
Total comprehensive expense for the year	**(1,504)**	(5,116)
Loss attributable to NCI	**(765)**	(2,600)
Total comprehensive expense attributable to NCI	**(737)**	(2,507)
Dividend paid to NCI	**–**	–
Net cash flows from/(used in) operating activities	**5,029**	(10,477)
Net increase/(decrease) in cash and cash equivalents	**5,029**	(10,477)

58. PARTICULARS OF SUBSIDIARIES (Continued)

Sincere Group

	2021 HK$'000
Proportion of ownership interest and voting rights held by NCI	25%
Current assets	250,499
Non-current assets	462,957
Current liabilities	(431,473)
Non-current liabilities	(44,756)
Net assets	237,227
Carrying amount to NCI	97,594

	From 18 May 2021 (date of acquisition) to 31 December 2021 HK$'000
Revenue	95,044
Expenses	(134,093)
Loss for the year	(39,049)
Other comprehensive expense for the year	8,388
Total comprehensive expense for the year	(30,661)
Loss attributable to NCI	(9,762)
Total comprehensive expense attributable to NCI	(7,665)
Dividend paid to NCI	–
Net cash flows used in operating activities	(53,731)
Net cash flows from investing activities	1,630
Net cash flows from financing activities	18,244
Net decrease in cash and cash equivalents	(33,857)

58. PARTICULARS OF SUBSIDIARIES (Continued)

Caribbean Group

	2021 HK$'000
Proportion of ownership interest and voting rights held by NCI	**29.5%**
Current assets	**10,864**
Non-current assets	**347,784**
Current liabilities	**(32,048)**
Non-current liabilities	**(518)**
Net assets	**326,082**
Carrying amount to NCI	**97,189**

FIVE YEAR FINANCIAL HIGHLIGHTS

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements are summarized below.

	Year ended 31 December				
	2021	2020	2019	2018	2017
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,195,079**	869,341	828,898	811,039	762,959
Profit/(Loss) before income tax	**428,467**	1,449,970	(430,745)	555,949	166,281
Income tax (expenses)/credit	**(312,533)**	(557,652)	26,056	(172,238)	(55,060)
Profit/(loss) for the year	**115,934**	892,318	(404,689)	383,711	111,221
Profit/(loss) attributable to:					
Owners of the Company	**122,197**	885,185	(415,529)	363,282	93,254
Non-Controlling interests	**(6,263)**	7,133	10,840	20,429	17,967
	115,934	892,318	(404,689)	383,711	111,221

	As at 31 December				
	2021	2020	2019	2018	2017
Assets and Liabilities	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**11,911,136**	12,445,778	9,504,662	9,409,334	1,513,429
Current assets	**6,836,249**	4,273,668	3,078,285	2,012,335	662,063
Total assets	**18,747,385**	16,719,446	12,582,947	11,421,669	2,175,492
Current liabilities	**1,082,627**	1,213,628	819,864	933,835	461,501
Non-current liabilities	**12,399,479**	11,094,244	8,543,793	7,555,408	609,993
Total liabilities	**13,482,106**	12,307,872	9,363,657	8,489,243	1,071,494
Net assets	**5,265,279**	4,411,574	3,219,290	2,932,426	1,103,998
Equity attributable to owners of the Company	**4,133,072**	3,505,463	2,345,095	2,878,448	1,070,392
Non-controlling interests	**1,132,207**	906,111	874,195	53,978	33,606
	5,265,279	4,411,574	3,219,290	2,932,426	1,103,998

MAJOR PROPERTIES HELD AS AT 31 DECEMBER 2021

Particulars of the major properties held by the Group at the end of the reporting period are as follows:

Location	Purpose	Tenure	Attributable interest of the Group
Hong Kong			
House No.25, Villa Bel-Air, Bel-Air on the Peak, Island South, No.25 Bel-Air Peak Rise, Hong Kong	Residential	Medium term lease	100%
House No.8, Villa Bel-Air, Bel-Air on the Peak, Island South, No. 8 Bel-Air Peak Rise, Hong Kong	Residential	Medium term lease	100%
Mainland China			
The industrial complex at No. 5 Fuye Road, Zhangkengjing Community, Guanhu Jie Dao, Longhua District, Shenzhen, the PRC	Industrial	Medium term lease	100%
The Properties located in Qiankeng Industrial Zone, Qiankeng Community, Fucheng Jie Dao, Longhua District, Shenzhen, the PRC	Under redevelopment	Medium term lease	100%

MAJOR PROPERTIES HELD AS AT 31 DECEMBER 2021

Location	Purpose	Tenure	Attributable interest of the Group
A block of commercial/ apartment building, all retail shops and car parking spaces of Realord Villas, Lanqing Er Lu, Luhu Community, Huanguan South Road, Guanhu Jie Dao, Longhua District, Shenzhen, the PRC	Mix of residential and commercial	Long term lease	100%
Realord Technology Park, Dongzhou Community, Guangming Jie Dao, Guangming District, Shenzhen, the PRC	Mix of residential and commercial	Medium term lease	100%