TFG
富元國際

TFG International Group Limited
富元國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

2021
ANNUAL REPORT

Contents

Corporate Information

EXECUTIVE DIRECTORS

YANG Lijun *(Chairman & Chief Executive Officer)*
(appointed as Chief Executive Officer on 5 February 2021)
GAO Jingyao
(appointed on 5 February 2021)

NON-EXECUTIVE DIRECTORS

YU Shunhui
(resigned on 6 September 2021)
WONG Kui Shing, Danny

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

COMPANY SECRETARY

WOO Chung Ping

PRINCIPAL BANKERS

China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

CCTH CPA Limited
Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

The Offices of Sterling Trust (Cayman) Limited
Whitehall House, 238 North Church Street
George Town, Grand Cayman KY1-1102
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1301–1302
Laws Commercial Plaza
788 Cheung Sha Wan Road
Kowloon
Hong Kong

Dear Shareholders,

We hereby report the audited consolidated results of TFG International Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021 as follows:

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

For the year ended 31 December 2021, the Group's revenue amounted to HK$7.8 million, compared to HK$22.4 million for 2020. The Group recorded a loss before tax of HK$341.1 million, compared to the loss of HK$216.6 million for the year of 2020. Such loss is, amongst other things, due to (i) increase in finance costs which related to borrowings obtained for the finance of certain property development projects; and (ii) increase in sales commission payable to property agents. The Group's consolidated loss attributable to the owners of the Company for 2021 amounted to HK$326.3 million (2020: loss of HK$217.7 million).

Revenue of the property development segment for the year ended 31 December 2021 amounted to HK$1.8 million, compared to HK$5.1 million for the corresponding period 2020. Loss of the property development segment for the year ended 31 December 2021 was HK$126.9 million, compared to the loss of HK$54.6 million for the corresponding period 2020. During the year ended 31 December 2021, the Group has three projects under development on hand, namely German City project located in Hengqin, Fuyuan Junting project located in Chengdu, and Fuyuan Square project located in Doumen, respectively. During the year of 2021, all the projects were under construction. In 2021, pre-sales of German City project, Fuyuan Junting project and Fuyuan Square project achieved approximately 55.2%, 75.7% and 51.9% of their respective gross saleable areas available for sales.

Non-current assets of the Group as at 31 December 2021 amounted to HK$1,806.0 million, compared to HK$1,851.2 million as at 31 December 2020. Current assets as at 31 December 2021 amounted to HK$2,785.1 million, compared to HK$2,159.7 million as at 31 December 2020. Current liabilities as at 31 December 2021 amounted to HK$3,471.0 million, compared to HK$2,101.8 million as at 31 December 2020. Non-current liabilities as at 31 December 2021 amounted to HK$1,243.2 million, compared to HK$1,701.7 million as at 31 December 2020.

The Group's net current liabilities as at 31 December 2021 were approximately of HK$685.9 million and loss before tax for the year ended 31 December 2021 was approximately of HK$341.1 million, which cast significant doubt on the Group's ability to continue as a going concern. The Company's auditor does not express an opinion on the consolidated financial statements of the Company because of the aforesaid matters. The Directors, including the members of the audit committee of the Company, the management, and the auditor of the Company had reviewed and assessed plans and measures to improve the Group's liquidity and financial performance. Details of the going concern and mitigation measures of the Group are set out in section "Management Discussion and Analysis" on pages 5 to 10 and note 2 to the financial statements.

During the year, the Company entered into a sale and purchase agreement with a controlling shareholder, executive director and chairman of the Company to dispose a direct wholly owned subsidiary of the Company for a consideration of HK$282 million. The transaction contemplated herewith was a connected transaction under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). At the date of this report, the transaction is not completed and subject to the passing of the resolution by the shareholders of the Company at an EGM to be held on 22 April 2022.

Letter to Shareholders

DIVIDEND

The Directors do not recommend to pay any dividend for the year ended 31 December 2021 (2020: Nil).

PROSPECT

In 2021, the Group faced challenges coming from the outbreak of COVID-19 pandemic ravaged over the world, the adoption of tightening policies by the PRC government to reduce the leverage ratio of the property development industry participants, and the overall downward pressure on property prices in the Mainland. These challenges collectively contributed to the difficulties and uncertainties surrounding the business environment in the Mainland.

Looking ahead to 2022, the business environment in the Mainland China will still be affected by the COVID-19 pandemic, coupled with the ongoing trade dispute between China and the US, and the military tension between Ukraine and Russia, which will affect the buying sentiment of property buyers and give more challenges to property sales. The Group will keep abreast of the development of COVID-19 and adjust its marketing plans and development strategies in response to the challenges in a timely manner to create greater value for Shareholders.

ACKNOWLEDGMENT

On behalf of the Board, we would like to extend our sincere appreciation to all members of the Board, our staff, valued customers, business partners, bankers, and shareholders for their continuous support. We would also like to compliment the management and staff for their genuine and valuable dedication towards the development of the Group.

YANG Lijun
Chairman

Hong Kong, 21 April 2022

BUSINESS REVIEW

For the year ended 31 December 2021, the Group's revenue was approximately of HK$7.8 million, compared to HK$22.4 million for 2020. The Group recorded a loss before tax of approximately HK$341.1 million, compared to the loss of HK$216.6 million for 2020. Such loss is amongst other things, due to (i) increase in finance costs which related to borrowings obtained for the finance of certain property development projects; and (ii) increase in administrative and other expenses.

Loss attributable to the owners of the Company for the year ended 31 December 2021 was approximately of HK$326.3 million, compared to the loss of HK$217.7 million for the corresponding period in 2020.

Property Development Segment

Revenue of the property development segment for the year ended 31 December 2021 was approximately of HK$1.8 million, compared to HK$5.1 million for the corresponding period 2020. Loss of the property development segment for the year ended 31 December 2021 was HK$ 126.9 million, compared to the loss of HK$54.6 million for the corresponding period in 2020.

During the year ended 31 December 2021, the Group had three projects under development on hand, namely German City project located in Hengqin, Fuyuan Junting project located in Chengdu, and Fuyuan Square project located in Doumen, respectively.

German City project holds a land parcel of gross floor area of approximately 145,176 sq.m., of which approximately 49,999 sq.m. is available for sale. The land parcel is located in Hengqin New District, Zhuhai City, the PRC and is designated to be developed into a research and commercial complex. The pre-sale activities of German City project had started in the 4th quarter of 2019. Up to 31 December 2021, German City project had achieved sales contracts amounted to 55.2% of its gross saleable areas available for sale. The earliest date of completion of construction work for the portion that had been pre-sold is expected to be 30 June 2022.

Fuyuan Junting project holds two land parcels of total gross floor area of approximately 120,500 sq.m., of which 85,102 sq.m. is available for sale. The land parcel is located in Ande Zhen, Pidu District, Chengdu City, the PRC and is designated to be developed into a residential and commercial complex. The pre-sale activities of Fuyuan Junting project had started in the 4th quarter of 2019. Up to 31 December 2021, first phase and second phase of Fuyuan Junting project had achieved sales contracts approximately 99.1% and 39.6% of its respective gross saleable areas available for sale. Construction work of the first phase has completed in the 4th quarter of 2021 and is pending for approval from the government before handing over the properties to the buyers. Construction work of the second phase is expected to be completed by the end of 2022.

Fuyuan Square project holds a land parcel of gross floor area of approximately 197,391 sq.m., of which 61,654 sq.m. is available for sale. The land parcel is located in Doumen District, Zhuhai City, the PRC and is designated to be developed into a commercial complex comprising office towers, a 5-star standard hotel and a shopping center with basement car parks. The pre-sale activities of Fuyuan Square project had started in July 2020. Up to 31 December 2021, Fuyuan Square project had achieved sales contracts approximately 51.9% of its gross saleable areas available for sale. Construction work of the project will be completed from 2nd quarter 2022 to 2024.

Up to 31 December 2021, approximately of 99.98% completed residential and commercial units of Morning Star Plaza ("MSP") project in Zhongshan were sold, whilst all completed residential and commercial units of Morning Star Villa ("MSV") project in Zhongshan were sold. During the year, the Company entered into a sale and purchase agreement with a controlling shareholder, executive director and chairman of the Company, to dispose of a wholly owned subsidiary of the Company, which indirectly holds MSP and MSV. At the date of this report, the transaction contemplated herewith is not completed and is subject to the passing of the resolution by the shareholders of the Company at an EGM to be held on 22 April 2022.

For the year ended 31 December 2021, the segment reported a loss as most of the property units were under construction, which have been planned to deliver to property buyers from first half of 2022 onwards.

Hotel Business

For the year ended 31 December 2021, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK$5.7 million, compared to HK$13.5 million for the corresponding period 2020. Loss of the segment amounted to HK$17.7 million for the year ended 31 December 2021, compared to a loss of HK$61.0 million for the corresponding period 2020. The loss is mainly attributable to the depreciation of property, plant and equipment and finance costs incurred during the year.

Geographical Segment

During the year, the Group did not have revenue generated from Hong Kong, and the revenue generated from elsewhere in the PRC mainly related to hotel business and property development.

MATERIAL ACQUISITIONS AND DISPOSALS

On 5 November 2021, the Company entered into a Sale and Purchase Agreement (the "Agreement") with Mr. Yang Lijun ("Mr. Yang"), an executive director, a controlling shareholder and chairman of the Company, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to buy the entire issued share capital of a direct wholly owned subsidiary (the "Disposal Company") of the Company (the "Disposal"). The purchaser whose sole director is Mr. Yang and the entire issued share capital of the purchaser is indirectly wholly-owned by Mr. Yang. Therefore, the purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company.

The consideration of the Disposal is HK$282.0 million (the "Consideration") which was arrived at after arm's length negotiations between the Company and the purchaser after taking into account (i) the waiver of a loan indebted by the Company to the Disposal Company, and (ii) the unaudited consolidated adjusted net asset value of the Disposal Company and its directly and indirectly owned subsidiaries (the "Disposal Group") of approximately HK$415.7 million. The Consideration comprises (i) HK$30.0 million which had been paid by the purchaser in cash as deposit in November 2021, and (ii) the remaining balance of HK$252.0 million to be payable by the purchaser in cash upon completion.

The assets being disposed mainly consist of (i) land parcels approximately of 151,674.59 sq. m., (ii) two clubhouses, and (iii) unsold properties. The Group has long been seeking approval from the regulatory authorities to approve the development plans of the land parcel. In view of severe economic uncertainties such as China-US trade wars, the Group will face huge capital commitment regarding the development of the said land parcels. The Group has approached several credible and reputable property developers in the PRC to see if they had any interest in investing in the assets being disposed, and did not receive positive feedback so far. On the other hand, the Group's gearing ratio is high and the liquidity of the Group may not be sufficient to repay its short-term liabilities. The Disposal would (i) provide an exit for the Group to realise its investment in the Disposal Company; (ii) enable the Group to capture a gain on the Disposal amid the current stringent regulatory environment of the PRC property market in general; (iii) provide financial flexibility to the Group to enhance the liquidity and improve its gearing ratio; and (iv) allow the Group to reallocate its resources and invest in other business with higher revenue generating potential when suitable opportunities arise.

At the date of this report, the Disposal is not completed and subject to the passing of the resolution by the shareholders of the Company at an EGM which is scheduled to be held on 22 April 2022.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of the Group as at 31 December 2021, consisting mainly of property under development, property, plant and equipment, right-of-use assets, investment properties, licensing rights and goodwill totaled HK$1,806.0 million, compared to HK$1,851.2 million as at 31 December 2020. Current assets as at 31 December 2021 amounted to HK$2,785.1 million, compared to HK$2,159.7 million as at 31 December 2020. Current liabilities as at 31 December 2021 amounted to HK$3,471.0 million, compared to HK$2,101.8 million as at 31 December 2020. Non-current liabilities as at 31 December 2021 amounted to HK$1,243.2 million, compared to HK$1,701.7 million as at 31 December 2020.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2021, the Group's total interest bearing borrowings amounted to HK$1,882.7 million (31 December 2020: HK$1,930.1 million) which comprised borrowings from financial institutions approximately of HK$413.3 million (31 December 2020: HK$425.7 million), independent third parties of HK$1,256.7 million (31 December 2020: HK$1,361.6 million), promissory note payable of HK$107.8 million (31 December 2020: HK$107.4 million), amount due to a non-controlling shareholder of HK$64.2 million (31 December 2020: nil), and amount due to a director of HK$40.7 million (31 December 2020: HK$35.4 million).

The Group's total equity as at 31 December 2021 was deficiency of HK$(123.2) million (31 December 2020: equity of HK$207.5 million).

The Group's gearing ratio as at 31 December 2021 is not presented (31 December 2020: approximately 930%). The gearing ratio was calculated on the basis of total interest bearing borrowings over the total equity of the Group. The significant increase in gearing ratio is mainly due to substantial amount of interest bearing borrowings raised to finance the acquisition of Fuyuan Square project in 2020 and the property development projects of the Group.

As part of treasury management, the Group centralises funding for all of its operations at the Group level. The Group's foreign currency exposure relates mainly to Renminbi, which is derived from its hotel business, the sales of the property units in Zhongshan, and other property development projects in the PRC.

Capital Commitments

The Group did not have any significant capital commitment as at 31 December 2021 (31 December 2020: Nil).

Project Commitments

As at 31 December 2021, the Group had outstanding commitments in respect of the property development expenditure and acquisition of land for development, which were contracted but not provided for, amounted to approximately HK$832.0 million (31 December 2020: HK$390.0 million).

Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities amounting to HK$365.0 million (31 December 2020: HK$130.6 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the property buyers of the Group. The Board considered that in case of default in payments, the related properties will be sold at prices which exceed the outstanding mortgage principals together with the accrued interest and penalty, therefore, no provision has been made in the financial statements for the guarantees.

Charges on Group Assets

As at 31 December 2021, part of the Group's leasehold land and buildings with a carrying amount of HK$246.2 million (31 December 2020: HK$264.4 million) had been pledged to a financial institution to secure mortgage loans. Restricted bank balance of HK$439.9 million (31 December 2020: HK$255.8 million) were pledged to certain banks for facilities granted to the Group.

Going Concern and Mitigation Measures

In view of the Group's net current liabilities approximately of HK$685.9 million as at 31 December 2021 and loss before tax approximately of HK$341.1 million for the year ended 31 December 2021, which may cast a significant doubt on the Group's ability to continue as a going concern. The Company's auditor does not express an opinion on the consolidated financial statements of the Company. The Directors including the members of the audit committee of the Company, the management, and the auditor of the Company had reviewed and assessed the following plans and measures to improve the Group's liquidity and financial performance:

(a) On 28 March 2022, Mr. Yang Lijun ("Mr. Yang"), the controlling shareholder of the Company, has unconditionally undertaken to provide financial support for the continuing operation of the Group. The Directors believe that this undertaking is available for draw down as additional working capital of the Group, as and when needed;

(b) The Company will proceed to complete a transaction to dispose a direct wholly-owned subsidiary in May 2022. Upon completion of the transaction, it is expected that a gain will arise and a balance of consideration approximately of HK$252.0 million will be applied to repay the Group's loans and borrowings;

(c) The Group has planned to speed up the handover of completed properties to property buyers from second to fourth quarter of 2022. It is expected that the handover of completed properties will involve total saleable areas of approximately 96,000 sq. m. and total sales amount of approximately RMB1,300.0 million. Upon handover of completed properties to property buyers, an estimated amount of RMB1,300.0 million will be transferred out of the Group's contract liabilities and recognised as revenue. Subsequent to the revenue recognition, the current liabilities of the Group will be lower substantially and the pressure on net current liabilities will be loosen significantly;

(d) The Group is in active negotiation with financial institutions and independent third-party lenders to extend the loans and borrowings, and revise the repayment schedule. The Group have reached consensus with certain lenders of loan extension;

(e) The Group has been implementing various strategies and measures, such as organising marketing campaigns to stimulate the pre-sales of the properties to improve the cash flows of the Group; and

(f) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

The directors, including the members of the audit committee of the Company, the management, and the auditor of the Company had reviewed and assessed the above-mentioned plans and measures, and were of the opinion that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months from 31 December 2021.

STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2021 was 156, compared to 126 as at 31 December 2020. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

SHARE OPTION SCHEME

A share option scheme adopted pursuant to an ordinary resolution passed by the shareholders of the Company on 8 June 2011 (the "2011 Share Option Scheme") was terminated upon adoption of a new share option scheme by an ordinary resolution of shareholders of the Company at the annual general meeting of the Company held on 28 May 2021 ("New Share Option Scheme"). Upon termination of the 2011 Share Option Scheme, no further options of the 2011 Share Option Scheme shall be granted thereunder.

MATERIAL DIFFERENCES BETWEEN ANNOUNCEMENT OF UNAUDITED AND AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to Announcement of Unaudited Final Results for the year ended 31 December 2021. Since subsequent adjustments have been made to the unaudited final results of the Group contained in the Unaudited Final Results Announcement for the year ended 31 December 2021 upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the following material differences between the unaudited final results of the Group contained in the Unaudited Final Results Announcement and the audited final results of the Group for the year ended 31 December 2021 in the Audited Final Results Announcement.

Item for the year ended 31 December 2021

	Notes	Disclosure in this announcement HK$'000 (audited)	Disclosure in the Unaudited Annual Announcement HK$'000 (unaudited)	Difference HK$'000
Consolidated Statement of Profit or Loss				
Revenue	*a*	7,774	16,468	(8,694)
Gross profit	*a*	4,178	12,872	(8,694)
Administrative and other expenses	*a*	(154,913)	(154,565)	(348)
Impairment of trade receivables	*a*	–	(9,042)	9,042
Consolidated Statement of Financial Position				
Restricted bank balances	*b*	439,905	426,855	13,050
Cash and cash equivalents	*b*	46,669	59,719	(13,050)

Notes:

(a) Over the past few years, China's economy has been impacted by issues such as anti-corruption and the COVID-19 pandemic, which have been detrimental to hotel operations. The Group's collection of accounts receivable from the hotel operators also became difficult. At the time when the Group compiled the unaudited final results for 2021, the licensing income was recognised according to the terms of the hotel operating rights agreement, which comprise an aggregate monthly fixed fee of RMB1 million plus a royalty fee equivalent to 10% of the monthly net profit generated by the hotel. During the year 2021, the hotel operators only settled part of the monthly fixed fees. The portion of fees that had not been settled was provided for impairment of accounts receivable. It is probable that collection of the impaired accounts receivable in full seems to be remote. At the time when the Group compiled the audited final results for 2021, the Group reassessed the operating circumstances in China, the hotel operators' ability and intention to pay, and the compliance with the Hong Kong Financial Reporting Standard 15 (the "HKFRS 15"). The Group recognised licensing income on the base of actual amount of cash settled by the hotel operators. Accordingly, licensing income that had been recognised in the unaudited final results for 2021 but not yet settled by the hotel operators was reversed in the audited final results for 2021, whereas the impairment of accounts receivable that had been recognised in the unaudited final results for 2021 was then reversed in the audited final results for 2021.

(b) Reclassification of cash and cash equivalents to restricted bank balances.

The audited final results for the year ended 31 December 2021 was reviewed by the audit committee and agreed with the Company's auditor.

OUTLOOK

Outlook and Planning

In 2021, the main issues surrounding the Group's business operations included the COVID-19 pandemic, the adoption of some tightening policies to reduce the leverage ratio of property development industry participants by the central government, and the downward pressure on overall property prices in the Mainland China, which collectively made the business environment in the Mainland China difficult and full of uncertainties.

Looking ahead to 2022, the business environment in the Mainland China will still be affected by the COVID-19 pandemic, coupled with the ongoing trade dispute between China and the US, and the military tension between Ukraine and Russia, which will affect the buying sentiment of property buyers and bring more challenges to property sales. The Group expects that the Group's projects currently under development will be able to recognize revenue from 2022 onwards, thus improving the Group's financial performance and position.

DIRECTORS

YANG Lijun

Mr. Yang Lijun ("Mr. Yang"), aged 47, is the Chairman of the Board and an executive Director of the Company. Mr. Yang is also the Chairman of the Executive Committee of the Board. Mr. Yang had been the Chairman of the Board since May 2017 and was re-designated as the Co-chairman of the Board in August 2019. Mr. Yang has been re-designated as the Chairman of the Board since 1 June 2020. Mr. Yang is also directors of certain subsidiaries of the Company. Mr. Yang has more than 20 years' experiences in property development, property investment and property management businesses in Hong Kong and the PRC. From 2004 to 2013, Mr. Yang was the president of 中山大南集團有限公司 (Zhongshan Danan Group Limited) ("Zhongshan Danan"). From 2014 to 2017, Mr. Yang was the president of 中山富元控股集團有限公司 (Zhongshan Fuyuan Holdings Group Limited) ("Zhongshan Fuyuan"). Mr. Yang is also the director and controlling or substantial shareholder of certain private companies, namely Yang's Development Limited and Affluent Splendid Investment Holdings Limited both of which engage in property investment and development businesses in the PRC. Mr. Yang is directly interested in 100% shares of Jade Leader International Investment Limited ("Jade Leader") and 100% shares of Honor Huge Investment Holdings Limited ("Honor Huge"), which own as to 100% interest in shares of All Great International Holdings Limited ("All Great"), which owned as to 44.44% interest in the issued shares of the Company. Mr. Yang also personally holds 11,608,000 shares of the Company. Mr. Yang is a sole director of Jade Leader, Honor Huge and All Great respectively.

GAO Jingyao

Mr. Gao Jingyao ("Mr. Gao"), aged 48, was appointed as an executive director of the Company in February 2021. Mr. Gao graduated from Sun Yat-Sen University major in Business Administration. Mr. Gao also obtained a degree in Master of Business Administration from Jinan University. Mr. Gao had over 20 years' working experiences in financial services industry. From 2001 to 2014, Mr. Gao was employed by Industrial and Commercial Bank of China, and was the principals in certain sub-branches in Zhongshan City, general manager of Business Department of Zhongshan Branch and deputy principal of Maoming Branch. From 2014 to January 2021, Mr. Gao was employed by Hua Xia Bank, and was the general manager of Sales Department of Guangzhou Branch and principal of Zhongshan Branch.

WONG Kui Shing, Danny

Mr. Wong Kui Shing ("Mr. Wong"), aged 62, was appointed as an executive director of the Company in August 2015, a Chief executive officer in November 2016, and re-designated as a non-executive director in February 2019. Mr. Wong holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 30 years and is well experienced in the international investment market. He is currently an independent non-executive director of Far East Holdings International Limited (stock code 0036). Mr. Wong was previously an executive director and chief executive officer of BCI Group Holdings Limited (stock code 8412), an executive director of China Information Technology Development Limited (stock code 8178), Greater Bay Area Dynamic Growth Holding Limited (stock code 1189), Huiyin Holdings Group Limited (formerly known as Share Economy Group Limited) (stock code 1178) and Larry Jewelry International Company Limited (stock code 8351), and an independent non-executive director of Tech Pro Technology Development Limited (stock code 3823).

Biographies of Directors and Senior Management

CHAN Hoi Ling

Ms. Chan Hoi Ling ("Ms. Chan"), aged 48, was appointed as an Independent Non-Executive Director of the Company in October 2010. She graduated from the University of South Australia with a Bachelor's Degree in Accountancy and the Hong Kong Polytechnic University with a Master's Degree in Business Administration. She has extensive experience in auditing and accounting. Ms. Chan was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants.

SO Wai Lam

Ms. So Wai Lam ("Ms. So"), aged 40, was appointed as an Independent Non-Executive Director of the Company in October 2010. She holds a Bachelor's Degree in Science with double majors in Mathematics and Statistics from the University of British Columbia in Canada and a Master's Degree in Finance from the University of Hong Kong. Ms. So has over 15 years of experience in the corporate finance industry. She is a responsible officer of INCU Corporate Finance Limited, a licensed corporation which carries out Type 6 (Advising on corporate finance) regulated activity under the Securities and Futures Ordinance.

SUNG Yat Chun

Mr. Sung Yat Chun ("Mr. Sung"), aged 43, was appointed as an Independent Non-Executive Director of the Company in October 2010. He holds a Bachelor of Science Degree from the University of Western Sydney, Australia. Mr. Sung specialises in product research and in-house operations, and is responsible for trading procedures for investment adviser. Mr. Sung has been a compliance manager for United Overseas Bank and an operations officer for Success Securities Limited. He is also a member of the US National Futures Association. His product knowledge and long association with innovative strategies has allowed him to provide unique and diversified solutions to clients' investments. Mr. Sung is currently a director of Ayers Alliance Wealth Management Limited, PT Ayers Asia Asset Management (Commissioner) (Indonesia), Ventus Company Limited and Cheshunt Limited. He was appointed as a director of Ayers Alliance Securities (HK) Limited, a licensed corporation which carries out Types 1 (Dealing in securities) and 4 (Advising on securities) regulated activities under the Securities and Future Ordinance in November 2013.

SENIOR MANAGEMENT

WAN Guohui

Mr. Wan Guohui ("Mr. Wan"), aged 47, joined the Group in 2017. He is responsible for management of the property projects of the Group. He is the General Manager of Zhongshan Morning Star Villa Housing and Real Estate Development Limited. Mr. Wan graduated from Nanchang University in 1997 with a Bachelor of Business Administration degree. Before joining the Group, Mr. Wan had worked for Casio Computer Co., Ltd, China Mobile and Zhongshan Fuyuan.

WOO Chung Ping

Mr. Woo Chung Ping ("Mr. Woo"), aged 58, is the Group Financial Controller and Company Secretary of the Company. Mr. Woo has extensive experience in accounting, auditing and finance. Mr. Woo joined the Company in June 2008. Mr. Woo has been the Group Financial Controller of the Group for over thirteen years and presently is responsible for the finance, company's secretarial matters, human resources and administration functions. Mr. Woo is a director of an indirect wholly owned subsidiary of the Company. Mr. Woo graduated from The Hong Kong Polytechnic University with a Bachelor of Science degree in actuarial science and a Master of Science degree in accountancy. Mr. Woo obtained a Postgraduate Diploma in Finance and Law from The School of Professional and Continuing Education of The University of Hong Kong and a Bachelor of Science degree in Mathematical Studies from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University). Mr. Woo is a practising member of The Hong Kong Institute of Certified Public Accountants, a fellow member of Association of Chartered Certified Accountants, a member of CPA Australia, an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and an associate member of the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

Report of the Directors

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

PRINCIPAL ACTIVITIES

During the year, the Group was principally engaged in properties development and hotel business in Mainland China ("the People's Republic of China" or the "PRC"). Details of the principal activities of the principal subsidiaries are set out in the note 51 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements from pages 43 to 123.

No dividends have been declared in respect of the year.

BUSINESS REVIEW

The fair review of the business performance and financial position of the Group for the year ended 31 December 2021, the discussion of possible new business development, principal risks and uncertainties surrounding the Group's operational environment and important events subsequent to the year-end are provided in the Management Discussion and Analysis and Letter to Shareholders of this Annual Report. It is the philosophy of the Group to make every endeavour to comply with relevant laws and regulations which can be found throughout this Annual Report. Apart from that, below section is a review of business by financial key performance indicators which highlights further information about the performance of the Group.

Analysis of Business by Financial Key Performance Indicators

For the year ended 31 December 2021, the Group's loss, amongst other things, was mainly attributable to due to (i) increase in finance costs which related to borrowings obtained for the finance of certain property development projects; and (ii) increase in sales commission payable to property agents.

Profitability	2021	2020
Net loss margin ratio	**(4,392.90)%**	(969.39)%
Return on equity ratio	**(810.54)%**	(72.04)%

Return to shareholders	2021	2020
Loss per share — basic	**HK$ (4.70) cents**	HK$ (3.13) cents
Loss per share — diluted	**N/A**	N/A

As at 31 December 2021, current assets and net assets of the Group increased and liquidity of the Group deteriorated.

Liquidity and debt	2021	2020
Current ratio	**0.80**	1.03
Gearing ratio	**N/A**	930.3%

GOING CONCERN AND MITIGATION MEASURES

Details of the going concern and mitigation measures of the Group are set out in section "Management Discussion and Analysis" on pages 5 to 10 and note 2 to the financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board recognizes that a company's long-term growth requires it to make measures to lessen the environmental effect of its operations. The Group keeps track of the risks and possibilities associated with environmental, social, and governance (ESG) issues, taking into account their significance for the Group's property development and hotel business investments. The Board has assumed overall responsibility for defining ESG strategy that is relevant to the Group's operations. Important topics like as safety, customer satisfaction, environmental compliance, and talent development, among others, are included. These significant ESG components are managed by a senior management team, and the responsibilities are then transferred to lower levels, such as department heads, who identify and manage ESG related risks and opportunities in daily operations.

Our ESG performance will be reported in detail in the sixth ESG report published on the websites of the Stock Exchange and the Group in May 2022. Here we explain the Group's environmental policies and confirm compliance with related laws and regulations, in addition to explaining how we engage with key stakeholders.

Environmental Policies

The Group's operations are headquartered in Hong Kong for the most part, and its environmental impact is minimal. Despite this, we continue to strive to run our workplace in a sustainable and environmentally conscious manner. We make sure that our personnel are aware of the need of conserving energy and making optimal use of resources. The Group has sub-licensed its hotel facilities (La Palazzo Hotel in Maoming, Guangdong, PRC) to a hotel operator. We verify that the operator adheres to well-established rules, procedures, and processes for managing the hotel's environmental performance.

We are encouraged by the fact that, during the year, hotel operations continued to keep emissions of air pollutants and greenhouse gases within the Environmental Protection Bureau's statutory limits. We also make certain that the hotel operator is up to date on the most recent national regulatory regime and that all operations are in compliance with all applicable regulations.

The hotel's swimming pool water is recycled for sanitary purposes, and linen washing is done in an environmentally friendly manner. Staff management is continually working to ensure that all of its employees are fully motivated to follow environmentally friendly working practices and are aware of energy conservation goals.

The Group has established a climate change policy to manage the linked risk, as climate change is one of the possible hazards that can affect our daily operations, such as the occurrence of extreme weather, throughout the year. The Group examines its Climate Change Policy on a regular basis to ensure that necessary information and resources are available to monitor the impact of climate change on its workers and business activities.

Compliance with laws and regulations

The Group closely adheres to the Environmental Protection Tax Regulation, the Prevention and Control of Environmental Pollution of Solid Waste, Environmental Noise and Air Pollution, and Water Pollution. The Group's management feels that responding quickly to changes in relevant rules helps them retain their reputation, as well as their operational and financial performance.

During the year, there was no incidence of non-compliance with environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, or the formation of hazardous and non-hazardous waste.

The Group is required to comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Codes on Takeovers, Mergers, and Share Buybacks, the Companies Law of the Cayman Islands, and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as a listed company. We follow and ensure that our operations, including those of the hotel operator, adhere to the applicable statutes' legal requirements.

Key Relationships with Stakeholders

Stakeholder engagement and response to significant concerns are ensured through a variety of channels, including annual general meetings, corporate websites, annual reports, and so on. Customers, employees, shareholders, local communities, governments, non-governmental organizations, national and international trade associations, and suppliers are among our main stakeholder groups.

Employees

The core of a business's growth is an efficient and dedicated staff of talents. The Group is convinced that just, fair, and transparent employment rules and procedures are essential for attracting, maintaining, and inspiring high-quality employees. There is a handbook for employees that explicitly specifies that any sort of corruption, blackmail, fraud, or money laundering is prohibited. We have a comprehensive approach to guaranteeing equitable redress of grievances, and employees have access to a suitable channel for reporting any issues relating to integrity. Our human resources staff adheres to Hong Kong Labour Ordinance and Chinese Labor Laws in terms of practices, policies, and plans. We were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to employment and labour practices and occupational health and safety.

Customers

The provincial authorities have approved the Group's hotel as a Grade A hotel in terms of catering, food safety, and public health. The hotel operator follows the "Guangdong Provincial Food Safety Regulations" and related policies and guidelines to the letter. The use of food additives is strictly regulated, in accordance with the "Use of Food Additives Standards."

The Company works efficiently with the hotel operator to ensure customer satisfaction by ensuring that clients receive only the best products and services. A standard operating system is in place for resolving hotel guest grievances, and its execution is overseen by the highest-ranking executive on duty at the time of day, or by the hotel manager.

The privacy of hotel guests' data is strictly protected, guaranteeing that no personal information about them is disclosed to a third party. Only authorised senior people have access to complete information.

Suppliers

The Group ensures that the hotel business complies with supplier environmental and social performance. It is the hotel operator's responsibility to cooperate with suppliers who uphold business ethics, conduct themselves transparently, and adhere to standards that are consistent with our own. Suppliers are chosen and evaluated using a supplier code of conduct that contains corporate responsibility standards. In addition, a list of bulk raw materials providers is kept on file to guarantee that inputs flow smoothly. Their operating licenses as well as their quality assurance methods are frequently audited.

REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 156 employees. As part of the Group's human resources policy, employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus scale. Apart from offering competitive remuneration packages to employees, the Group also offers post retirement benefits, discretionary bonuses and share options to eligible directors and staff of senior management based on individual performance.

Currently, the Group continues to implement its overall human resources training and development programme and encourages employees to equip themselves with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

The Remuneration Committee reviews, on an annual basis, remuneration packages offered to Directors and employees with reference to the prevailing market conditions, the experience of the Directors or employees and individual performance.

TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holdings in the Company's securities.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years are set out on pages 125 to 126.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year are set out in note 41 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 42 to the consolidated financial statements and of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2021, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2018 Revision) of the Cayman Islands.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 50 to the consolidated financial statements.

HOTEL OPERATING RIGHTS AGREEMENTS

On 15 March 2017, the Group entered into two hotel operating rights agreements with two hotel operating rights holders, which were independent third parties (the "Hotel Operating Rights Agreements"). Under the Hotel Operating Rights Agreements, the hotel operating rights holders were granted the rights to operate and manage the Group's hotel in Maoming City, the PRC (the "Hotel") and the Group is entitled to receive an aggregate fixed monthly fee of RMB1 million plus a royalty fee calculated on the basis of 10% of the net profits generated by the Hotel each month. The Hotel Operating Rights Agreements will expire on 8 June 2026. For the year ended 31 December 2021, licensing income of the Group represented approximately of 73.9% of the total revenue of the Group. None of the Directors is interested in the Hotel Operating Rights Agreements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers shared more than 78.2% of the total revenue of the Group in the year and the aggregate revenue attributable to the largest customer included therein shared more than 65.0% of the total revenue of the Group. The aggregate purchases attributable to the Group's five largest suppliers shared more than 8.4% of the total purchases of the Group in the year and aggregate purchases attributable to the largest supplier included therein shared more than 3.1% of the total purchases of the Group. None of the Directors, their close associates or any shareholder of the Company owned more than 5% issued shares of the Company was interested in such customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

YANG Lijun *(Chairman & Chief Executive Officer)*
(appointed as Chief Executive Officer on 5 February 2021)
GAO Jingyao *(appointed on 5 February 2021)*

Non-Executive Directors:

WONG Kui Shing, Danny
YU Shunhui *(resigned on 6 September 2021)*

Independent Non-Executive Directors:

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

In accordance with Articles 106 and 107 of the Company's Articles of Association, Mr. GAO Jingyao, Mr. SUNG Yat Chun, and Ms. CHAN Hoi Ling shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No Director or any of his/her connected entity had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during the year or as at 31 December 2021.

There was no contract of significance to the business of the Group made between the Company or any of its subsidiaries and controlling shareholder of the Company during the year or as at 31 December 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021, Mr. YANG declared his interests in the following private companies with businesses which competed or were likely to compete, either directly or indirectly, with the business of the Group:

Name of companies	Nature of businesses considered to compete or likely to compete with the business of the Group	Nature of interest in those companies during 2020
Yang's Development Limited ("Yang's")	Property investment and development in the PRC	Mr. YANG had certain direct interests in Yang's, in which Mr. YANG was a controlling shareholder, director, and directors of certain subsidiaries.
Affluent Splendid Investment Holdings Limited ("Affluent")	Property investment in the PRC	Mr. YANG had certain indirect interests in Affluent, in which Mr. YANG was a controlling shareholder and director.

The above-mentioned businesses have been either managed by the management and administration teams of the respective private companies, or managed by other property developer outsourced to provide management and administration services to respective private companies, which are independent of the management and administration of the Group. Besides, the independent non-executive Directors will assist in monitoring the operation of the Group. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of the above-mentioned private companies.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and will avoid any potential conflicts of interest and duty. The Board comprises three independent non-executive Directors, all of them are audit committee members of the Company. Hence, the interest of the Company's shareholders can be adequately represented.

Other than those disclosed above, none of the Directors are considered to have interests in the business which competed or is likely to compete with the business of the Group pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Directors are entitled to grant of options under Share Option Scheme of the Company. Save for the aforesaid, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement the object of which was to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN THE SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors and the 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 SFO) as recorded in the register required to be kept under section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were set out below:

Long Position in the shares of the Company and associated corporations of the Company

Name of Director	Name of Company	Capacity	*Notes*	Number of ordinary shares held	Percentage of issued ordinary shares
YANG Lijun	The Company	Held by controlled corporations	1	3,087,027,152	44.44%
	The Company	Beneficial owner		11,608,000	0.17%

Note:

1. *As at 31 December 2021, All Great International Holdings Limited ("All Great") was owned as to 51% by Jade Leader International Investment Limited ("Jade Leader"), 35% by Honor Huge Investment Holdings Limited ("Honor Huge") and 14% by Ever Star International Investment Limited ("Ever Star"). Mr. Yang Lijun, an executive Director and Chairman of the Board, was the sole beneficial owner of Jade Leader. Mr. Yang Lijun was the sole ultimate beneficial owner of the entire issued share capital of each of Honor Huge and Ever Star, which was interested in 35% and 14% of the issued share capital of All Great respectively. Accordingly, Mr. Yang Lijun was deemed to be interested in the 3,087,027,152 shares of the Company held by All Great pursuant to the SFO.*

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PERSONS HOLDING 5% OR MORE INTERESTS

As at 31 December 2021, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in the shares of the Company:

Name of Shareholders	Capacity	*Notes*	Number of ordinary shares held	Percentage of issued ordinary shares
All Great International Holdings Limited	Beneficial owner	2	3,087,027,152	44.44%
Jade Leader International Investment Limited	Held by controlled corporation	2	3,087,027,152	44.44%
Honor Huge Investment Holdings Limited	Held by controlled corporation	2	3,087,027,152	44.44%
LIN Rujie	Interest of Spouse	3	3,098,635,152	44.61%
HUANG Xue Rong (executor of YANG Xiang Bo)	Interest of Spouse	4	1,320,000,000	19.00%
Shirble Department Store Holdings (China) Limited	Held by controlled corporation	5	1,320,000,000	19.00%

Notes:

2. *As at 31 December 2021, All Great was owned as to 51% by Jade Leader, 35% by Honor Huge and 14% by Ever Star. Mr. Yang Lijun, an executive Director and Chairman of the Board, was the sole beneficial owner of Jade Leader. Mr. Yang Lijun was the sole ultimate beneficial owner of the entire issued share capital of each of Honor Huge and Ever Star, which was interested in 35% and 14% of the issued share capital of All Great respectively. Mr. Yang Lijun, Jade Leader and Honor Huge were deemed to be interested in the 3,087,027,152 shares of the Company held by All Great pursuant to the SFO, and such number of shares had duplicated with equivalent number of shares as disclosed in note 1 to the section headed "Directors' interests in the securities and debentures of the Company and its associated corporations" above.*

3. *Ms. Lin Rujie, spouse of Mr. Yang Lijun was deemed to be interested in the shares of the Company deemed to be interested by Mr. Yang Lijun, an executive Director and Chairman of the Board.*

4. *HUANG Xue Rong is the executor of all estate of YANG Xiang Bo, the deceased.*

5. *Pursuant to the disclosure of interest forms filed, (i) HUANG Xue Rong (executor of YANG Xiang Bo) had 100% control of Xiang Rong Investment Limited, (ii) which had 100% control of Shirble Department Store Limited, (iii) which had 55.41% control of Shirble Department Store Holdings (China) Limited, the issued shares of which were listed on the Stock Exchange (stock code: 312), and (iv) which in turn had 100% control of Baoke Trading (BVI) Company Limited. Accordingly, HUANG Xue Rong (executor of YANG Xiang Bo) and Shirble Department Store Holdings (China) Limited were deemed to be interested in such 1,320,000,000 shares of the Company pursuant to the SFO.*

DIVIDEND POLICY

It is the Board's discretion to declare or recommend distribution of dividends, which depends on the financial performance, working capital requirements, future business plans and the funding requirements of the Group, external economic factors and Shareholders' interests.

SIGNIFICANT CONTRACT WITH CONTROLLING SHAREHOLDERS

The Group and the controlling shareholders of the Company did not enter into any contract of significance during the year of 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

INDEMNITY PROVISION

During the year of 2021, the Company had arranged appropriate insurance coverage in force on Director's liabilities in respect of potential legal liabilities against them.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the annual report save for the deviations as disclosed in the Corporate Governance Report from pages 25 to 40.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 21 April 2022, being the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF FINAL RESULTS

The Board has established the audit committee of the Company (the "Audit Committee") which comprises three independent non-executive Directors.

The Audit Committee has met with the auditors of the Group and the Company's management to review the accounting principles and practices adopted by the Company, the effectiveness of internal systems and controls of the Group, and the audited financial statements of the Group for the year ended 31 December 2021.

AUDITOR

The consolidated financial statements for the year were audited by CCTH CPA Limited who will retire and being eligible, offer itself for re-appointment as the auditor of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board
YANG Lijun
Chairman

Hong Kong, 21 April 2022

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independency. The board (the "Board") of directors (the "Directors") of the Company believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Compliance With Code On Corporate Governance Practices

The Company is committed to maintain high corporate governance standards and uphold accountability and transparency.

During the year ended 31 December 2021, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

On 5 February 2021, Mr. Yang Lijun ("Mr. Yang") was appointed as chief executive officer of the Company. Mr. Yang, the chairman and an executive director of the Company, has extensive experience in the businesses of property development and investment. The Board believes that by holding both roles of the chairman and the chief executive officer, Mr. Yang will be able to provide strong leadership for the Board and effective and efficient business decisions of the Group. The Board believes that the present structure of the Board would provide adequate checks and balances, and a variety of opinions relating to the affairs of the business of the Group.

Code Provisions A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non- executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Two (2) executive directors and one (1) non-executive directors could not attend the annual general meeting (the "AGM") of the Company held on 28 May 2021 due to COVID-19 pandemic. However, there were one non-executive director and three independent non- executive directors presented to enable the Board to develop a balanced understand of the views of the shareholders.

Code Provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting.

Mr. Yang Lijun ("Mr. Yang"), the chairman of the Board could not attend the AGM held on 28 May 2021 due to COVID-19 pandemic. However, Ms. Chan Hoi Ling, an independent non- executive director and chairman of audit committee of the Company took the chair of the AGM. Chairman of remuneration committee and chairman of nomination committee were present to be available to answer any question to ensure effective communication with the shareholders.

BOARD

During the year of 2021, the Board comprised seven Directors in total, with two executive Directors, two non-executive Directors and three independent non-executive Directors ("INEDs"). The composition of the Board during the year of 2021 was set out as follows:

Executive Directors	YANG Lijun *(Chairman and Chief Executive Officer)* *(appointed as Chief Executive Officer on 5 February 2021)* GAO Jingyao *(appointed on 5 February 2021)*
Non-executive Directors	WONG Kui Shing, Danny YU Shunhui *(resigned on 6 September 2021)*
INEDs	CHAN Hoi Ling SO Wai Lam SUNG Yat Chun

During the year, the INEDs provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and Committee meetings.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or is accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

The Company has received from each INED an annual confirmation or confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent. The INEDs are explicitly identified in all corporate communications. The day-to-day running of the Company is delegated to the management.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, six Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board Committees" of this report.

The Board has reserved for its decision or consideration of matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial related matters. The Board has delegated the day-to-day responsibility to the executive Directors and the management.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least a 14 days' notice period for a regular Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The company secretary assists the chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comments before being tabled at the following Board meeting for approval. All minutes are kept by the company secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company ("Articles of Association") also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the company secretary. The Board and each Director also have separate and independent access to the Company's senior management.

Directors, upon reasonable request, may seek independent professional advice in appropriate circumstances at the Company's expenses to perform their duties to the Company.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance/Act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the year ended 31 December 2021.

Name of Directors	Reading regulatory updates	Attending training/ briefings/ seminars/ conference relevant to Directors' duties
Executive Directors		
YANG Lijun *(Chairman and Chief Executive Officer)* *(appointed as Chief Executive officer on 5 February 2021)*	✓	–
GAO Jingyao *(appointed on 5 February 2021)*	✓	–
Non-executive Director		
WONG Kui Shing, Danny	✓	–
INEDs		
CHAN Hoi Ling	✓	✓
SO Wai Lam	✓	✓
SUNG Yat Chun	✓	✓

During the year of 2021, all Directors as disclosed above confirmed that they have complied with Code Provision A.6.5 of the CG Code on directors' continuous professional development.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. YANG Lijun was appointed as Chief Executive Officer of the Company on 5 February 2021.

Code Provisions A.2.1 to A.2.9

Under code provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer should be segregated and assumed by two different Individuals to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. Code provisions A.2.2 to A.2.9 of the CG Code further stipulate various roles and responsibilities of the Chairman.

The Chairman of the Board provides leadership and is responsible for the effective performance of the Board at strategic level whereas the Chief Executive Officer of the Group focuses on the Group's business development, daily management and operations, and implementation of strategies and policies laid down by the Board. The responsibilities between the Chairman and the Chief Executive Officer are clearly established and set out in writing so as to maintain a balance of power and authority.

On 5 February 2021, Mr. Yang Lijun ("Mr. Yang") was appointed as chief executive officer of the Company. Mr. Yang, the chairman and an executive director of the Company, has extensive experience in the businesses of property development and investment. The Board believes that by holding both roles of the chairman and the chief executive officer, Mr. Yang will be able to provide strong leadership for the Board and effective and efficient business decisions of the Group. The Board believes that the present structure of the Board would provide adequate checks and balances, and a variety of opinions relating to the affairs of the business of the Group.

NON-EXECUTIVE DIRECTORS

Under code provision A.4.1 of the CG Code, all non-executive directors should be appointed for a specific term, subject to re-election.

During the year of 2021, all the INEDs and one non-executive Director were appointed for a specific term of 1 year but were subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee, a Nomination Committee and an Executive Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the company secretary, are circulated to all Board members and the committees are required to report to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section headed "The Board" of this report, have been adopted for the committee meetings so far as practicable.

The individual attendance record of each Director at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and general meetings during the year ended 31 December 2021 are set out below:

	Number of meetings attended/held						
Name of Directors	Board	Remuneration Committee	Audit Committee	Nomination Committee	Chairman and INEDs	AGM	EGM
Executive Director:							
YANG Lijun *(Chairman and Chief Executive Officer)* *(appointed as Chief Executive Officer on 5 February 2021)*	5/6	–	–	–	1/1	0/1	0/0
Non-executive Directors:							
WONG Kui Shing, Danny	6/6	–	–	–	–	1/1	0/0
YU Shunhui *(resigned on 6 September 2021)*	0/4	–	–	–	–	0/1	0/0
INEDs:							
CHAN Hoi Ling	6/6	2/2	3/3	2/2	1/1	1/1	0/0
SO Wai Lam	6/6	2/2	3/3	2/2	1/1	1/1	0/0
SUNG Yat Chun	6/6	2/2	3/3	2/2	1/1	1/1	0/0

Remuneration Committee

The Remuneration Committee has been established since August 2005. During the year of 2021, the Remuneration Committee consisted of three members, including Ms. SO Wai Lam (Chairman of the Remuneration Committee), Ms. CHAN Hoi Ling and Mr. SUNG Yat Chun, all being the INEDs.

The Board has adopted a set of terms of reference of the Remuneration Committee, which accommodates a model where the Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management only.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

The terms of reference of the Remuneration Committee has been published on both the websites of the Company and the Stock Exchange, which will be revised from time to time subsequent to any changes to the policies, authorities, duties and responsibilities of the Remuneration Committee or when there is any new requirements of the CG Code of the Listing Rules become effective.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. Two (2) Committee meetings were held in 2021 and the attendance of each member is set out in the section headed "Board Committees" of this report.

It is also a practice of the Remuneration Committee to deal with matters by way of resolutions (and so far as practicable for those other committee meetings).

In 2021 and up to the date of this report, the Remuneration Committee performed the works as summarised below:

(i) assessed performance of executive Directors;

(ii) reviewed the existing policy and structure for the remuneration of Directors;

(iii) reviewed the existing remuneration packages of the executive Directors and senior management;

(iv) reviewed remuneration packages of newly appointed Directors and recommended such for the Board's approval;

(v) reviewed the existing remuneration package of the INEDs; and

(vi) reviewed and recommended the remuneration packages for the renewal of the terms of appointment of the INEDs for one year commencing from January 2022 for the Board's approval.

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 13 to the consolidated financial statements.

Audit Committee

The Audit Committee has been established since March 1999. During the year of 2021, the Audit Committee consisted of three members, including Ms. CHAN Hoi Ling (Chairman of the Audit Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or financial management related expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditors' reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the responsibilities to oversee the financial reporting system and internal control procedures and their effectiveness.

The terms of reference of the Audit Committee has been published on both the websites of the Company and the Stock Exchange, which will be revised from time to time subsequent to any changes to the policies, authorities, duties and responsibilities of the Audit Committee or when there is any new requirements of the CG Code of the Listing Rules become effective.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Three (3) Committee meetings were held in 2021 and the attendance of each member is set out in the section headed "Board Committees" of this report.

It is also a practice of the Audit Committee to deal with matters by way of resolutions (and so far as practicable for those other committee meetings).

In 2021 and up to the date of this report, the Audit Committee performed the works as summarised below:

(i) reviewed and recommended 2020 final results, audit findings and draft final results announcement for the Board's approval;

(ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;

(iii) considered the auditor's remuneration for the year of 2021;

(iv) reviewed and recommended 2021 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;

(v) reviewed the adequacy of resources, qualifications and experience of the Company's accounting staff and financial reporting function, and the training programmes and budget; and

(vi) reviewed the effectiveness of the Group's risk management and internal control systems and recommended the Report on the Risk Management and Internal Control for the Board's approval.

Nomination Committee

The Nomination Committee has been established since 1 April 2012. During the year of 2021, the Nomination Committee consisted of three members, including Mr. SUNG Yat Chun (Chairman of the Nomination Committee), Ms. SO Wai Lam and Ms. CHAN Hoi Ling, all being the INEDs.

DIRECTOR NOMINATION POLICY

The Nomination Committee shall take into account the following in the course of nomination, appointment and removal of Directors, and make recommendation to the Board whenever they consider appropriate.

1. To review the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. To identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;

3. To consider potential candidates on merit against criteria such as academic qualification, working experience, skills and knowledge with due regard for the Board succession and Board diversity perspective; and

4. To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer, after taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate.

The Nomination Committee would make recommendations to the Board for consideration on nominations, appointment and re-appointment of directors. The consideration of a proposed director candidate involves the assessment of the merits, academic qualification, working experience, skills and knowledge of the candidate from board succession and board diversity perspective.

The Company appreciates the importance of a diverse team of board members, which is crucial to maintain a high quality of directors' team.

The Nomination Committee shall formulate the nomination policy, review the size, structure and composition of the Board, and assess the independence of its INEDs in accordance with the prescribed criteria of the CG Code.

The terms of reference of the Nomination Committee has been published on both the websites of the Company and the Stock Exchange, which will be revised from time to time subsequent to any changes to the policies, authorities, duties and responsibilities of the Nomination Committee or when there is any new requirements of the CG Code of the Listing Rules become effective.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. Two (2) Committee meetings were held in 2021 and the attendance of each member is set out in the section headed "Board Committees" of this report.

It is also a practice of the Nomination Committee to deal with matters by way of resolutions (and so far as practicable for those other committee meetings).

In 2021 and up to the date of this report, the Nomination Committee performed the works as summarised below:

(i) reviewed and recommended for the Board's approval the proposed resolutions for re-election of the retiring directors at 2021 Annual General Meeting;

(ii) reviewed the structure, size, composition and the diversity policy of the Board and assessed the independence of each INED; and

(iii) reviewed and recommended for the Board's approval on the appointment/reappointment of executive Directors and renewal of the terms of appointment of the INEDs for one year commencing from 1 January 2021.

Executive Committee

The Executive Committee has been established since February 2013. During the year of 2021, the Executive Committee consisted of two members, including Mr. YANG Lijun (Chairman of the Committee) and Mr. GAO Jingyao.

The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee. The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and may also deal with matters by way of circulation. The Executive Committee plays a complementary role to undertake and supervise the day-to-day management of the Group and is empowered:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

There was no Executive Committee meeting held in the year 2021 as most of the day-to-day operation and management decisions were vested in and approved by the Board.

It is also a practice of the Executive Committee to deal with matters by way of resolutions (and so far as practicable for those other committee meetings).

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

(i) to develop and review the Company's policies and practices and make recommendation to the Board on corporate governance matters;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

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

(iv) to develop, review and monitor the code of conduct applicable to employees and directors; and

(v) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

In 2021, there were four (4) out of the six (6) Board meetings held to deal with corporate governance functions such as review of periodic management accounts and internal controls of the Group.

Board Diversity Policy

On 28 August 2013, the Board has adopted a board diversity policy (the "Policy") that sets out the Company's approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Details of the Policy can be found on the Company's website at www.tfginternationalgroup.com.

As at 31 December 2021, the Board had two female members out of six members. The Board is characterised by diversity whether considered in terms of age, gender, cultural and professional background, knowledge and skills.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2021.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibilities of the preparation of the financial statements of the Group in accordance with statutory requirements and applicable accounting standards, and to report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the Group's ability to continue preparing the accounts on a going concern basis. The Board also ensure the timely publication of the financial statements of the Group.

The statement of external auditor of the Company, CCTH CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

The Board confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue preparing the financial statements on the assumption that the Group will continue as a going concern.

Risk Management and Internal Control

The Board acknowledges its responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems to evaluate the risks that the Company is willing to take in achieving the Company's objectives, and safeguard the Group's assets at all times. Such systems 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.

The Group's risk management framework consists of the Board, the Audit Committee and the senior management of the Group. The Board would (1) determine and identify the risks that would have material impact on the achievement of strategies and business objectives of the Group, (2) evaluate the effectiveness of the Group's risk management and internal control systems to monitor the operation of controls, (3) monitor the status of compliance with rules, laws and regulations such as compliance with Listing Rules, and (4) provide directions in identifying, evaluating and managing significant risks. The review of the risk management and internal control systems of the Group was through the engagement of external audit professional with the support of the Audit Committee on an ongoing basis pursuant to code provision C.2. The review would be conducted annually and cover each of the twelve months of the year. A risk management and internal control review report will be submitted to the Audit Committee and the Board for review once a year.

The Company did not have its in-house internal audit function. The Board is of the view that there is no immediate need to set up an internal audit department of the Group because of the size, nature and complexity of the Group's business.

In 2021, the Board, through the engagement of external audit professional with the support of the Audit Committee, evaluated the internal control system of the Group. Apart from that, there was a review of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and the training programmes and budget by the Audit Committee in the year of 2021. A report of the review of risk management and internal control systems for the year of 2021 was submitted to the Audit Committee and the Board for review. Based on the findings of the report, the Board and the Audit Committee were not aware any material weaknesses that would have adverse impact on the effectiveness and adequacy of the risk management and internal control systems of the Group. The Board considers the risk management and internal control systems of the Group are effective and adequate.

INSIDE INFORMATION

The Group provides general guidance to the Directors, the management and relevant staff to handle inside information and to ensure that the dissemination of inside information to the public is in an equal and timely manner according to the relevant laws and regulations.

Control measures implemented to ensure:

- The access of information is restricted to a limited number of employees on a need-to-know basis.
- Confidentiality agreements are in place when the Company enters into significant negotiations.
- Unauthorized access and use of inside information are strictly prohibited.
- The Directors, the management and relevant staff who are authorised to access to inside information be aware of the responsibilities to safeguard and preserve information confidentiality, and prohibited to abuse or misuse of such information.
- The Directors, the management and relevant staff who accessed to inside information are prohibited to abuse or misuse of such information.

EXTERNAL AUDITORS' REMUNERATION

The fees in respect of audit and non-audit services provided by the external auditors to the Group for the year ended 31 December 2021 is set out below:

		HK$'000
Types of services		
Audit fees to the auditors of the Group	— for current year	1,007
	— under provision for previous years	–
Taxation services and others		–
Total		1,007

COMPANY SECRETARY

Mr. Woo Chung Ping ("Mr. Woo") is the company secretary of the Company. His biography is depicted on page 13. All Directors have access to the advices and services of the Company Secretary. The Company Secretary is responsible for advising the Board on corporate governance matters and is responsible for ensuring that board procedures are followed and communications among Directors, shareholders and management are functioned. During the year ended 31 December 2021, Mr. Woo attended over 15 hours of relevant professional training to update his skills and knowledge to meet the training requirement set out in Rule 3.29 of the Listing Rules.

GOING CONCERN AND MITIGATION MEASURES

Details of the going concern and mitigation measures of the Group are set out in section "Management Discussion and Analysis" on pages 5 to 10 and note 2 to the financial statements.

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Communication Policy

The Board has adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders including:

(i) corporate communications such as annual reports, interim reports and circulars which are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.tfginternationalgroup.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;

(iv) Annual General Meeting ("AGMs") and extraordinary general meetings ("EGMs") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

Details of the Last General Meetings

The Company's annual general meeting is a valuable forum for the Board to communicate directly with the Shareholders. Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting. Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

AGM held on 28 May 2021

Due to COVID-19, Mr. Yang Lijun, Chairman of the Board did not attend the AGM held on 28 May 2021. The Board delegated this Chairman's duty to Ms. Chan Hoi Ling, an INED to take the chair of the AGM. Chairmen of Audit Committee and Remuneration Committee were present thereat to take a balanced understanding of the views of shareholders and be available to answer any question to ensure effective communication with the Shareholders.

The notice to Shareholders is to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting (EGM)

Pursuant to the Articles of Association, the Board shall, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an EGM.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting convened under the Articles of Association by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

Procedures for Putting forward Proposals at a General Meeting

Pursuant to the Articles of Association, it shall be the duty of the Company, on the requisition in writing of such number of members as is specified in Articles of Association and (unless the Company otherwise resolves) at the expense of the requisitionists:

(a) to give to members entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to members entitled to have notice of any General Meeting of any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such resolution shall be given, any such statement shall be circulated, to members of the Company entitled to have notice of the meeting sent to them, and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in accordance with the provisions of the Statutes.

Shareholders of the Company may make written enquiries to the Board, either by post or by facsimile, together with his/her/its contact details, such as postal address or fax, addressing to the principal place of business of the Company at Rooms 1301 & 1302, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong or facsimile number (852) 3188 6631.

Procedures for Proposing a Person for Election a Director

As regards the procedure for proposing a person for election as a Director, please refer to the procedures made available under the "Corporate Governance" section ("Procedure for election of Directors" sub-section) of the Company's website at www.tfginternationalgroup.com.

Procedures for Directing Shareholders' Enquiries to the Board

Enquiries of shareholders can be sent to the Company either by email at finance@tfginternationalgroup.com (for finance matters) and/or cosec@tfginternationalgroup.com (for company secretarial matters) or by post to the Company's principle place of business at Rooms 1301 & 1302, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Amendments to the Company's memorandum and articles of association

There was no significant change in the Company's constitutional documents during the year.

INVESTOR RELATIONS

The Company considers effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business. The Company endeavors to maintain an on-going dialogue with shareholders and particularly, through annual general meeting and other general meetings. The website of the Company at www.tfginternationalgroup.com has provided an effective communication platform to the public and the shareholders. There was no change of the Company's Memorandum and Articles of Association during the year of 2021.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but also about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF
TFG INTERNATIONAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of TFG International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 123, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of 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.

We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Going concern

As disclosed in note 2 to the consolidated financial statements, the current liabilities of the Group at 31 December 2021 exceed the Group's current assets at that date by approximately HK$685,931,000 and the Group incurred net loss of approximately HK$341,506,000 and HK$216,755,000 for the years ended 31 December 2021 and 31 December 2020 respectively.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures to be undertaken by the Group, as set out in note 2 to the consolidated financial statements. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion as to whether it is appropriate for the preparation of the consolidated financial statements on a going concern basis.

Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report that include our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability for any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 21 April 2022

YIM Kai Pung David
Practising Certificate Number: P02324

Unit 1510–1517, 15/F., Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road,
Kwai Chung, N.T.,
Hong Kong

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	*8*	**7,774**	22,360
Cost of sales	*11*	**(3,596)**	(7,192)
Gross profit		**4,178**	15,168
Other income and gains	*9*	**5,535**	18,371
Selling expenses		**(9,925)**	(18,258)
Administrative and other expenses		**(154,913)**	(101,387)
Gain on change in fair value of investment properties	*19*	**–**	3,194
Impairment of property, plant and equipment	*17*	**–**	(35,490)
Impairment of licensing rights	*21*	**–**	(3,219)
Impairment of trade receivables	*27*	**–**	(8,193)
Impairment of goodwill	*22*	**(50,290)**	–
Finance costs	*10*	**(135,687)**	(86,779)
LOSS BEFORE TAX	*11*	**(341,102)**	(216,593)
Income tax expense	*12*	**(404)**	(162)
LOSS FOR THE YEAR		**(341,506)**	(216,755)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(326,264)**	(217,714)
Non-controlling interests		**(15,242)**	959
		(341,506)	(216,755)
		HK cents	HK cents
LOSS PER SHARE	*16*		
— Basic		**(4.70)**	(3.13)
— Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
LOSS FOR THE YEAR	**(341,506)**	(216,755)
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**10,838**	29,904
Other comprehensive income for the year, net of tax	**10,838**	29,904
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(330,668)**	(186,851)
Total comprehensive (loss)/profit for the year attributable to:		
Owners of the Company	**(316,308)**	(189,684)
Non-controlling interests	**(14,360)**	2,833
	(330,668)	(186,851)

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**199,495**	217,223
Right-of-use assets	18	**48,336**	49,076
Investment properties	19	**–**	24,127
Properties under development	20	**1,549,801**	1,499,271
Licensing rights	21	**8,329**	10,200
Goodwill	22	**–**	50,290
Pledged bank balances		**–**	1,056
TOTAL NON-CURRENT ASSETS		**1,805,961**	1,851,243
CURRENT ASSETS			
Properties held for sale	24, 25	**1,828,965**	1,684,314
Inventories	26	**–**	1,224
Trade receivables	27	**61**	737
Prepayments, deposits and other receivables	28	**294,445**	134,761
Restricted bank balances	29	**439,905**	255,835
Cash and cash equivalents	30	**46,669**	82,839
		2,610,045	2,159,710
Assets of disposal group classified as held for sale	32	**175,007**	–
TOTAL CURRENT ASSETS		**2,785,052**	2,159,710
TOTAL ASSETS		**4,591,013**	4,010,953
CURRENT LIABILITIES			
Trade payables, other payables and accruals	33	**658,450**	904,595
Contract liabilities	37	**1,974,806**	754,137
Amount due to non-controlling interest	34	**2,142**	64,217
Amount due to a director	35	**–**	3,500
Loans and borrowings — due within one year	36	**785,245**	375,372
		3,420,643	2,101,821
Liabilities directly associated with assets of disposal group classified as held for sale	32	**50,340**	–
TOTAL CURRENT LIABILITIES		**3,470,983**	2,101,821
NET CURRENT (LIABILITIES)/ASSETS		**(685,931)**	57,889
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,120,030**	1,909,132

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Loans and borrowings — due after one year	36	**948,911**	1,411,902
Amount due to a director	35	**40,747**	31,910
Promissory note payable	38	**107,827**	107,427
Long term lease liabilities	39	**507**	–
Deferred tax liabilities	40	**145,239**	150,426
TOTAL NON-CURRENT LIABILITIES		**1,243,231**	1,701,665
NET (LIABILITIES)/ASSETS		**(123,201)**	207,467
Share capital	41	**69,464**	69,464
Reserves		**(233,033)**	83,275
Equity attributable to owners of the Company		**(163,569)**	152,739
Non-controlling interests		**40,368**	54,728
TOTAL EQUITY		**(123,201)**	207,467

YANG Lijun
Director

Gao Jingyao
Director

The Notes on pages 50 to 123 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Property revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Capital reduction reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2020	69,464	778,892	6,600	(37,123)	191,925	19,154	(686,489)	342,423	51,895	394,318
(Loss)/profit for the year	–	–	–	–	–	–	(217,714)	(217,714)	959	(216,755)
Other comprehensive income for the year	–	–	–	28,030	–	–	–	28,030	1,874	29,904
Total comprehensive income/(loss) the year	–	–	–	28,030	–	–	(217,714)	(189,684)	2,833	(186,851)
At 31 December 2020	69,464	778,892	6,600	(9,093)	191,925	19,154	(904,203)	152,739	54,728	207,467
At 1 January 2021	**69,464**	**778,892**	**6,600**	**(9,093)**	**191,925**	**19,154**	**(904,203)**	**152,739**	**54,728**	**207,467**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(326,264)**	**(326,264)**	**(15,242)**	**(341,506)**
Other comprehensive income for the year	**–**	**–**	**–**	**9,956**	**–**	**–**	**–**	**9,956**	**882**	**10,838**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**9,956**	**–**	**–**	**(326,264)**	**(316,308)**	**(14,360)**	**(330,668)**
At 31 December 2021	**69,464**	**778,892**	**6,600**	**863**	**191,925**	**19,154**	**(1,230,467)**	**(163,569)**	**40,368**	**(123,201)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(341,506)**	(216,755)
Income tax expense	12	**404**	162
Loss before tax		**(341,102)**	(216,593)
Adjustments for:			
Finance costs	10	**135,687**	86,779
Bank interest income	9	**(1,551)**	(1,003)
Other interest income	9	**–**	(11,885)
Write off of other payables and accruals	9	**–**	(1,158)
Depreciation of property, plant and equipment	11	**20,432**	23,391
Depreciation of right-of-use assets	11	**2,115**	2,540
Amortisation of licensing rights		**1,884**	2,470
Impairment of licensing rights		**–**	3,219
Impairment of property, plant and equipment		**–**	35,490
Impairment of trade receivables		**–**	8,193
Impairment of goodwill		**50,290**	–
Gain on termination of leases	9	**–**	(10)
Gain on change in fair value of investment properties		**–**	(3,194)
Loss on disposal of property, plant and equipment	11	**78**	189
Net foreign exchange losses		**15,155**	1,311
Operating cash flows before working capital changes		**(117,012)**	(70,261)
Increase in properties held for sale under development		**(164,483)**	(450,805)
Decrease in deposit for acquisition of land for development		**–**	93,068
Decrease/(increase) in inventories		**1,224**	(1,220)
Decrease/(increase) in trade receivables		**317**	(5,840)
Increase in prepayments, deposits and other receivables		**(159,702)**	(82,031)
Increase in restricted bank balances		**(173,853)**	(206,068)
(Decrease)/increase in trade payables, other payables and accruals		**(340,675)**	543,432
Increase in contract liabilities		**1,193,910**	593,471
Decrease in amount due to non-controlling interest		**(62,075)**	(100,000)
Cash generated from operating activities		**177,651**	313,746
Income tax paid		**(803)**	(206)
Net cash generated from operating activities		**176,848**	313,540

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank and other interest income received		**1,551**	12,888
Purchase of property, plant and equipment		**(172)**	(2,045)
Proceeds from disposal of property, plant and equipment		**246**	1,179
Increase in pledged bank balances		**–**	(1)
Acquisition of subsidiaries		**–**	75,476
Additions to properties under development		**–**	(336,898)
Net cash generated from/(used in) investing activities		**1,625**	(249,401)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of loans and borrowings	*43*	**66,357**	647,852
Repayment of loans and borrowings	*43*	**(149,751)**	(560,492)
Payment of lease liabilities	*43*	**(146)**	(695)
Interest paid	*43*	**(100,104)**	(131,993)
Drawdown of loans from directors	*43*	**5,337**	37,863
Repayment of loans from directors	*43*	**–**	(34,000)
Net cash used in financing activities		**(178,307)**	(41,465)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**166**	22,674
Effect of foreign exchange rate changes, net		**2,145**	4,036
Cash and cash equivalents at 1 January		**82,839**	56,129
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**85,150**	82,839
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents analyzed in note 30		**46,669**	82,839
Cash and cash equivalents included in assets of disposal group classified as held for sale		**38,481**	–
		85,150	82,839

1. CORPORATE INFORMATION

TFG International Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are located at Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands and Room 1301–1302, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Group's activities mainly comprised properties development and hotel business in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention except for certain financial assets and financial liabilities which are measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. BASIS OF PREPARATION (continued)

Going concern basis

Notwithstanding that the current liabilities of the Group at 31 December 2021 exceed the Group's current assets at that date by approximately HK$685,931,000 and the Group incurred net loss of approximately HK$341,506,000 and HK$216,755,000 for the years ended 31 December 2021 and 31 December 2020 respectively. The Directors considered it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures to be implemented:

(a) On 28 March 2022, Mr. YANG Lijun, the controlling shareholder of the Company, has unconditionally undertaken to provide financial support for the continuing operation of the Group. The Directors believe that this undertaking is available for draw down as additional working capital of the Group, as and when needed.

(b) The Group is implementing various measures, such as organizing marketing campaigns to stimulate the pre-sales revenue amount of properties and controlling the costing to improve the profit margin and operating cashflows of properties development and hotel business.

(c) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

The directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2021. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform — phase 2
Amendment to HKFRS 16	Covid-19-Related rent concessions

In addition, the Group has early applied the Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021.

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

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

Up to the date of approval of these consolidated financial statements, the HKICPA has issued the following new and amendments to HKFRSs which are not yet effective for the year ended 31 December 2021 and which have not been early adopted in these consolidated financial statements.

Amendments to HKFRS 3	Reference to the conceptual framework[1]
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use[1]
Annual Improvements	Annual Improvements to HKFRSs 2018-2020 Cycle[1]
Amendments to HKAS 37	Onerous Contracts — cost of fulfilling a contract[1]
Amendments to HKAS 1	Classification of liabilities as current or non-current[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]
HKFRS 17	Insurance contracts[2]

[1] *Effective for annual periods beginning on or after 1 January 2022.*
[2] *Effective for annual periods beginning on or after 1 January 2023.*

The directors of the Company anticipate that the application of all of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company has power over the investee; the Group is exposed, or has rights, to variable returns from its involvement with the investee; and the Group has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

i the contractual arrangement with the other vote holders of the investee;

ii rights arising from other contractual arrangements; and

iii the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Goodwill

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

After initial recognition, goodwill is measured at cost less any identified impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

(c) Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to 50%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(f) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once each financial year.

The Group’s intangible asset mainly consists of licensing rights.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract 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 component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-Use Assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

The Group as a lessee (continued)

Right-of-Use Assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted 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.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments includes:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change 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 change 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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a 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 the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

The Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income and gains due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term except for investment properties measured under fair value model.

(h) Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal group) classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell, except for financial assets within the scope of HKFRS 9 and investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

(i) Properties under development

Properties under development is stated at cost less impairment losses, if any. Cost of the properties includes purchase consideration, acquisition costs, development expenditure, interest and other direct costs attributable to such properties.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Properties held for sale and properties held for sale under development

Properties held for sale and properties held for sale under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the year end date less selling expenses, or by management estimates based on prevailing market condition.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

(k) Inventories

Inventories comprising hygiene products, foodstuffs, beverages and other consumables are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(l) Financial instruments

Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses on change in fair value will either be recorded in profit or loss or other comprehensive income. For investments in equity investments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

Financial assets (continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are recognised in the consolidated statement of profit or loss and are included in "other losses". Interest income from these financial assets is included in finance income or other income using the effective interest method.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to recognise fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Where the Group elected to present equity investments at fair value through profit or loss, changes in the fair value of financial assets are recognised in the consolidated statement of profit or loss and are included in other gains/(losses).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

Financial assets (continued)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 53 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

The Group's financial liabilities at amortised cost include trade payables, other payables and accruals, amount due to non-controlling interest, amount due to a director, promissory note payable, lease liabilities and loans and borrowings.

(ii) Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

(iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(m) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(n) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

(o) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 5(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(q) Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

For the preparation of the Group's consolidated financial statements, the assets and liabilities of group entities at end of the reporting period are translated into the presentation currency of the Company (i.e. Hong Kong dollar) at the exchange rates prevailing at the reporting date and their income and expenses for the year are translated into Hong Kong dollars at the average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and provision of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from contracts with customers

Revenues are recognised when or as the control of the asset is transferred to the buyer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the buyer;
- creates and enhances an asset that the buyer controls as the Group performs; or
- do 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the buyer obtains control of the asset.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(i) Sales of properties

Revenue from the sales of properties held for sale in the PRC in the ordinary course of business is recognised at point in time when control of completed property is transferred to customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in contract liabilities under contract liabilities in the consolidated statement of financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(ii) Licensing for hotel operations

Revenue from sub-licence rights are recognised over the licence period in accordance with the terms stated in the licence agreements.

(iii) Trading of hygiene products

Revenue from trading of hygiene products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(iv) Agency fee from property agency business

Agency fee from property agency business is recognised when the services are rendered.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. For properties under development, for which revenue is recognised over time, the Group ceases to capitalise borrowing cost as soon as the properties are ready for the Group's intended sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Related parties

A party is considered to be related to the Group if:

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

or

(b) the party is an entity where 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 of a parent, subsidiary or fellow subsidiary of the other entity);

(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); and

(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.

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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.

Disposal of subsidiaries

As referred to in note 32, the Company entered into an agreement in the disposal of the Group's entire equity interests in Ceneric Properties Limited ("Ceneric Properties") and its subsidiaries, which was not completed at the end of the reporting period. Management of the Company is of the view that it is highly probable that completion of the disposal of Ceneric Properties and its subsidiaries by the Group will take place within one year from the date of the disposal agreement, accordingly, the consolidated assets and liabilities of Ceneric Properties have been reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale in the consolidated financial statements.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of properties under development

Management of the Group determines on a regular basis whether the properties under development are impaired. Impairment losses on properties under development are recognised when the carrying amount of the asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair values of the properties are estimated by reference to their expected selling prices which are affected by market conditions. The value in use calculation requires the use of estimates such as the future cash flows and discount rates.

As at 31 December 2021, the carrying amount of properties under development is approximately HK$1,549,801,000 (2020: HK$1,499,271,000). No impairment loss of the properties under development has been recognised in respect of the current year (2020: Nil).

Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, it may impact the amortisation charges for the future years.

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Impairment loss on goodwill amounted to HK$50,290,000 was recognised in profit or loss in respect of the current year (2020: Nil). Details of the goodwill are set out in note 22.

Impairment of other tangible and intangible assets other than financial assets

If circumstances indicate that the carrying amount of other tangible and intangible assets may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised to reduce the carrying amounts to their recoverable amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. The fair value less costs of disposal is estimated by reference to comparable sales evidence and market conditions. For the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant estimates and judgments relating to level of future income and operating costs. Changes in these estimates could have significant impact on the carrying amounts of these assets and could result in additional impairment charge or reversal of impairment, if any, in future periods.

Impairment of properties held for sale under development and properties held for sale

Management assessed the recoverability of the properties held for sale under development and properties held for sale based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location. If the actual net realisable value of the underlying properties are less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material provision for impairment losses may result.

Details of the properties held for sale under development and properties held for sale are disclosed in notes 24 and 25 respectively. No impairment loss for the properties held for sale under development was recognised in profit or loss of the Group in respect of the current year (2020: Nil) and no impairment loss for the properties held for sale was recognised in the profit or loss of the Group in respect of the current year (2020: Nil).

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Impairment of trade and other receivables

The Group applies the simplified approach to provide for expected credit loss in respect of trade receivables. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates and forward-looking information that is receivable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for expected credit loss individually. The provision for expected credit loss is sensitive to changes in estimates.

The Group uses four categories for other receivables which reflect their credit risk and how the loss provision is determined. These internal credit risk ratings are aligned to external credit ratings, where possible.

The information about the expected credit loss on the Group's trade and other receivables are disclosed in note 53.

Land appreciation tax

The Group's properties in the PRC is subjected to PRC land appreciation tax. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

7. OPERATING SEGMENT INFORMATION

For management purposes, the Group identifies reportable segments, on the basis of the products and services, for internal reports about components of the Group that are regularly reviewed by the chief operation decision makers for the purpose of allocating resources to segments and assessing their performances. There are three reportable operating segments identified as follows:

(a) Property Development Business: Property development and provision of ancillary services including agency and clubhouse operating service;

(b) Hotel Business: Sub-licensing rights to hotel operators and related hotel management activities; and

(c) Other Business: Trading of hygiene products.

7. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment results represent the profit or loss earned before tax before taking into account interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the board of directors for the purposes of resource allocation and performance assessment.

	For the year ended 31 December							
	Property Development		Hotel Business		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue								
Revenue from contracts with customers								
— recognised at a point in time	**508**	–	**–**	–	**258**	3,759	**766**	3,759
— recognised over time	**1,263**	5,136	**5,745**	13,465	**–**	–	**7,008**	18,601
Total segment revenue	**1,771**	5,136	**5,745**	13,465	**258**	3,759	**7,774**	22,360
Segment loss	**(126,879)**	(54,550)	**(17,709)**	(60,995)	**(1,704)**	(1,831)	**(146,292)**	(117,376)
Reconciliation:								
Bank interest income							**1,551**	1,003
Other income							**2,407**	2,942
Gain on change in fair value of investment properties							**–**	3,194
Gain on termination of lease							**–**	10
Other unallocated expenses							**(63,081)**	(19,587)
Finance costs							**(135,687)**	(86,779)
Loss before tax							**(341,102)**	(216,593)

Note: There were no inter-segment sales for both of the year ended 31 December 2021 and 31 December 2020.

7. OPERATING SEGMENT INFORMATION (continued)

	For the year ended 31 December							
	Property Development		Hotel Business		Other Business		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	4,285,225	3,367,068	255,404	275,562	2,105	3,889	4,542,734	3,646,519
Unallocated assets							48,279	364,434
Total assets							4,591,013	4,010,953
Segment liabilities	4,226,597	1,636,865	98,043	16,407	36	52	4,324,676	1,653,324
Unallocated liabilities							389,538	2,150,162
Total liabilities							4,714,214	3,803,486

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

(a) all assets are allocated to reportable segments other than investment properties, pledged bank balances, unallocated prepayments, deposits and other receivables and cash and bank balances.

(b) all liabilities are allocated to reportable segments other than unallocated other payables and accruals, amount due to non-controlling interest, amount due to a director, promissory note payable and deferred tax liabilities.

Other segment information

For the year ended 31 December 2021

	Property Development HK$'000	Hotel Business HK$'000	Other Business HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	6,586	–	1,143	–	7,729
Addition to goodwill	–	–	–	–	–
Depreciation and amortisation	550	23,782	23	76	24,431
Impairment of property, plant and equipment	–	–	–	–	–
Impairment of licensing rights	–	–	–	–	–
Impairment of goodwill	50,290	–	–	–	50,290
Impairment of trade receivables	–	–	–	–	–

7. OPERATING SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2020

	Property Development HK$'000	Hotel Business HK$'000	Other Business HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	1,005,149	–	1,720	–	1,006,869
Addition to goodwill	50,290	–	–	–	50,290
Depreciation and amortisation	1,164	27,073	56	108	28,401
Impairment of property, plant and equipment	–	35,490	–	–	35,490
Impairment of licensing rights	–	3,219	–	–	3,219
Impairment of goodwill	–	–	–	–	–
Impairment of trade receivables	–	8,193	–	–	8,193

Note:

Additions to non-current assets excluded those relating to financial instruments and goodwill.

Geographical information

The Group operates in one main geographical area — the PRC.

	2021 HK$'000	2020 HK$'000
REVENUE		
— PRC	**7,774**	22,360

Revenue from customers contributing over 10% of the total revenue of the Group

Revenue from individual customers contributing over 10% of the total revenue of the Group is as follows:

	2021 HK$'000	2020 HK$'000
Customer A	**5,056**	12,824
Customer B	**–**	2,715

8. REVENUE

Revenue represents the aggregate of income from sales of properties held for sale, sales of hygiene products, sub-licensing of operating rights and property agency income and is analysed as follows:

	2021 HK$'000	2020 HK$'000
Sales of properties held for sale	**508**	–
Sales of hygiene products	**258**	3,759
Licensing income *(Note)*	**5,745**	13,465
Property agency income	**1,263**	5,136
	7,774	22,360

Disaggregated by timing of revenue recognition

	2021 HK$'000	2020 HK$'000
Revenue recognised:		
— Point in time	**766**	3,759
— Over time	**7,008**	18,601
	7,774	22,360

Note: In March 2017, the Group granted two hotel operators the rights to operate and manage a hotel of the Group located in Maoming City, the PRC (the "Hotel"). Pursuant to the terms of the hotel operation rights agreements, the Group is entitled to receive an aggregate fixed monthly licensing fee of RMB1 million and a royalty fee calculated at 10% of the net profit generated by the Hotel each month. In the past few years, the revenue generated from the Hotel was substantially below the hotel operators' expectation and the Group's collection of outstanding licensing fees from the hotel operators became difficult, which resulted in significant impairment losses recognized on those fee receivables. In this connection, management of the Company has considered that commencing from the current year under review, it is more appropriate to recognize the licensing fee income when such fees are received by the Group. The change of the Group's revenue recognition in this respect would not give any significant impact on the Group's financial performance for the current or prior years. During the current year, the Group had received licensing fee from the hotel operators amounted to approximately HK$5,745,000.

9. OTHER INCOME AND GAINS

	2021 HK$'000	2020 HK$'000
Bank interest income	**1,551**	1,003
Other interest income	**–**	11,885
Government subsidies	**–**	590
Write off of other payables and accruals	**–**	1,158
Gain on termination of lease	**–**	10
Rental income	**2,407**	2,407
Others	**1,577**	1,318
	5,535	18,371

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interests on		
Loans and borrowings	**148,124**	120,836
Amounts due to directors	**3,562**	2,119
Promissory note	**10,174**	3,007
Lease liabilities	**28**	51
	161,888	126,013
Less: Amount capitalised on properties under development	**(26,201)**	(39,234)
	135,687	86,779

The borrowing costs have been capitalised at the rates ranged from 8.8% to 13% (2020: from 8.8% to 13%) per annum.

11. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2021 HK$'000	2020 HK$'000
Cost of sales		
Cost of properties sold	**177**	–
Cost of inventories sold	**406**	2,579
Amortisation of licensing rights	**1,884**	2,470
Property agency service charges	**1,129**	2,143
	3,596	7,192
Depreciation of property, plant and equipment	**20,432**	23,391
Depreciation of right-of-use assets	**2,115**	2,540
Loss on disposal of property, plant and equipment	**78**	189
Rental expenses for short-term leases	**2,881**	4,028
Auditors' remuneration	**1,007**	923
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	**19,970**	22,673
— Retirement benefits scheme contributions	**1,574**	809
Exchange gains, net	**(6,489)**	(10,915)

12. INCOME TAX EXPENSE

(a)

	2021 HK$'000	2020 HK$'000
Current tax expense		
PRC enterprise income tax		
— Provision for the year	**(658)**	(206)
— Under provision in prior year	**(145)**	–
	(803)	(206)
Deferred tax credit *(Note 40)*	**399**	44
Income tax expense	**(404)**	(162)

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profit arising in Hong Kong for both of the years presented.

PRC enterprise income tax is calculated at 25% (2020: 25%) of the profits of the group entities in the PRC.

(b) The income tax expense can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2021 HK$'000	2020 HK$'000
Loss before tax	**(341,102)**	(216,593)
Tax at statutory tax rates applicable in the respective countries (or jurisdictions)	**(73,537)**	(49,484)
Income not subject to tax	**(3,517)**	(12,823)
Expenses not deductible for tax	**27,610**	20,156
Tax losses not recognised for the year	**50,102**	42,357
Under-provision in prior years	**145**	–
Tax effect of temporary differences previously recognised	**(399)**	(44)
Income tax expense	**404**	162

13. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about benefits of Directors) Regulation are as follows:

	2021 **HK$'000**	2020 HK$'000
Fees:		
Executive directors	**1,029**	600
Non-executive directors	**460**	1,080
Independent non-executive directors	**360**	360
	1,849	2,040
Other emoluments:		
Executive directors:		
Basic salaries and allowances	**–**	–
Retirement benefits scheme contributions	**21**	12
Non-executive directors	**–**	–
Independent non-executive directors	**–**	–
	21	12
	1,870	2,052

13. DIRECTORS' REMUNERATION (continued)

The emoluments paid or payable to directors are as follows:

Year ended 31 December 2021

Name of director	Directors' fees HK$'000	Basic salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive director				
YANG Lijun[1]	–	–	–	–
GAO Jingyao[2]	651	378	21	1,050
Non-executive directors				
WONG Kui Shing, Danny	460	–	–	460
YU Shunhui[3]	–	–	–	–
Independent non-executive directors				
SO Wai Lam	120	–	–	120
SUNG Yat Chun	120	–	–	120
CHAN Hoi Ling	120	–	–	120
	1,471	378	21	1,870

Year ended 31 December 2020

Name of director	Directors' fees HK$'000	Basic salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive director				
YANG Lijun[1]	600	–	12	612
GAO Jingyao[2]	–	–	–	–
Non-executive directors				
WONG Kui Shing, Danny	480	–	–	480
YU Shunhui[3]	600	–	–	600
Independent non-executive directors				
SO Wai Lam	120	–	–	120
SUNG Yat Chun	120	–	–	120
CHAN Hoi Ling	120	–	–	120
	2,040	–	12	2,052

13. DIRECTORS' REMUNERATION (continued)

[1] *Mr. Yang Lijun was appointed as chief executive officer of the Company with effect from 5 February 2021.*

[2] *Mr. Gao Jingyao was appointed as executive director of the Company with effect from 5 February 2021.*

[3] *Mr. Yu Shunhui resigned as a non-executive director of the Company with effect from 6 September 2021.*

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2021 and 2020. No bonus was paid to directors for the year ended 31 December 2021 and 2020.

There was no payment of discretionary compensation or compensation for loss of office in 2020 (2019: Nil).

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2020: one) directors, details of whose remuneration are set out in Note 13 above. Details of the remuneration for the year of the remaining four (2020: four) highest paid employees who are neither a director nor a chief executive are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries, allowances and benefits in kind	**4,691**	5,139
Retirement benefits scheme contributions	**91**	54
	4,782	5,193

The highest paid employees, neither a director nor a chief executive, whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK$Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**–**	1

15. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year amounted to HK$18,817,000 (2020: HK$270,542,000) has been dealt with in the financial statements of the Company (Note 42).

16. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company amounted to HK$326,264,000 (2020: HK$217,714,000), and 6,946,350,040 (2020: 6,946,350,040) ordinary shares in issue during the year.

No diluted loss per share for both of the year ended 31 December 2021 and 2020 was presented as there were no potential ordinary shares in issue for both of the years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2020	800,274	97,535	1,919	899,728
Additions	–	1,545	500	2,045
Disposals	–	(1,690)	–	(1,690)
Exchange realignment	13,344	2,831	106	16,281
At 31 December 2020	813,618	100,221	2,525	916,364
Additions	–	52	120	172
Disposals	–	(59)	(868)	(927)
Transferred to assets of disposal group classified as held of sale	(26,855)	(5,015)	(407)	(32,277)
Exchange realignment	6,393	1,404	115	7,912
At 31 December 2021	**793,156**	**96,603**	**1,485**	**891,244**
Accumulated depreciation and impairment:				
At 1 January 2020	534,675	95,061	1,736	631,472
Depreciation provided for the year	21,754	1,513	124	23,391
Impairment loss recognised in profit or loss	35,490	–	–	35,490
Eliminated on disposals	–	(322)	–	(322)
Exchange realignment	6,299	2,755	56	9,110
At 31 December 2020	598,218	99,007	1,916	699,141
Depreciation provided for the year	19,301	1,015	116	20,432
Eliminated on disposals	–	(14)	(589)	(603)
Transferred to assets of disposal group classified as held of sale	(26,855)	(5,014)	(407)	(32,276)
Exchange realignment	3,668	1,344	43	5,055
At 31 December 2021	**594,332**	**96,338**	**1,079**	**691,749**
Carrying amount:				
At 31 December 2021	**198,824**	**265**	**406**	**199,495**
At 31 December 2020	215,400	1,214	609	217,223

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) *The Group's buildings with the carrying amount of HK$198,824,000 (2020: HK$215,400,000) are pledged to a financial institution to secure the loans granted to the Group (Notes 23 and 36).*

(b) *During the year, the Group carried out a review of the recoverable amount of the hotel buildings together with the related right-of-use assets (note 18) and licencing rights (note 21) (together the "Hotel Operation Cash-generating Unit"). The recoverable amount of the Hotel Operation Cash-generating Unit as at 31 December 2021 was determined based on the fair value of the related hotel property less costs of disposal, by reference to the valuation carried out by Messrs. B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group, who are the members of The Hong Kong Institute of Surveyors.*

Valuation of the hotel property was determined using direct comparison method by reference to comparable sales evidence as available in the relevant market and, where appropriate, on the basis of capitalisation of the net rental (licensing) income with due allowance for the reversionary income potential of the hotel building, with 6% yield over the terms approximately 4.44 years and the management's best estimates achievable assuming that the hotel is operated by market participants.

The significant inputs used in the valuation of the Group's hotel property are yield, rental/licensing income and average market unit price per square metre. In general, any significant changes in any of those inputs in isolation would result in a significantly change in the valuation amount. Specifically, an increase in the assumption used for rental/licensing income or average market unit price per square metre is accompanied by an increase in the valuation amount of the Group's hotel property. However, an increase in the assumption used for yield is accompanied by a decrease in the valuation amount of the hotel property.

Having performed a review of the recoverable amount of the Hotel Operation Cash-generating Unit on the basis of fair value less costs of disposal of the hotel property, the directors are of the view that no impairment losses for the current year are required to be made in the consolidated financial statements. For the prior year ended 31 December 2020, impairment losses of HK$35,490,000 and HK$3,219,000 were recognised on property, plant and equipment and licensing rights respectively in profit or loss in respect of the prior year.

18. RIGHT-OF-USE ASSETS

	Leased land HK$'000	Leased properties HK$'000	Total HK$'000
Carrying amount at 1 January 2020	50,432	1,714	52,146
Written back upon termination of lease	–	(1,060)	(1,060)
Depreciation provided for the year ended 31 December 2020	(1,898)	(642)	(2,540)
Exchange realignment	514	16	530
Carrying amount at 31 December 2020	**49,048**	**28**	**49,076**
Carrying amount at 1 January 2021	**49,048**	**28**	**49,076**
Arising from new leases entered during the year ended 31 December 2021	**–**	**1,143**	**1,143**
Depreciation provided for the year ended 31 December 2021	**(1,920)**	**(195)**	**(2,115)**
Exchange realignment	**238**	**(6)**	**232**
Carrying amount at 31 December 2021	**47,366**	**970**	**48,336**

The Group's leased land represent the payments for land use rights in the PRC. This leased land with the carrying amount of HK$47,366,000 as at 31 December 2021 (31 December 2020: HK$49,048,000) had been pledged to a financial institution to secure loans (Notes 23 and 36).

As at 31 December 2021, the remaining lease terms of leased land over which depreciation to be taken up are approximately 25 years.

Leased properties represent certain parts of Group's office properties leased under operating lease commitments. Leases for properties are negotiated for terms ranging from one to two years. None of the leases include contingent rentals.

18. RIGHT-OF-USE ASSETS (continued)

Expenses have been charged to the consolidated statement of profit or loss in respect of the current year as follows:

	2021 HK$'000	2020 HK$'000
Depreciation of right-of use assets:		
— Leased land	**1,920**	1,898
— Leased properties	**195**	642
	2,115	2,540
Interest on lease liabilities	**28**	51
Rental expense relating to short-term leases	**2,881**	4,028

The total cash outflow for leases for the year ended 31 December 2021 is HK$3,027,000 (31 December 2020: HK$4,723,000), of which HK$2,881,000 and HK$146,000 (31 December 2020: HK$4,028,000 and HK$695,000) are included in operating activities and financing activities respectively.

19. INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
Investment properties on land in the PRC	–	24,127

Movements during the year are as follows:

	2021 HK$'000	2020 HK$'000
Fair value, at 1 January	**24,127**	18,400
Reclassified from properties held for sale	–	1,309
Gain/(loss) on change in fair value of investment properties recognised in profit or loss	–	3,194
Reclassified to assets classified as held for sale *(Note 32)*	**(24,770)**	–
Exchange realignment	**643**	1,224
Fair value, at 31 December	–	24,127

The Group's investment properties at 31 December 2021, which are included in assets classified as held for sale, represents commercial properties on leasehold land in the PRC. The investment properties are leased to third parties under operating leases, details of which are included in Note 46.

The Group's investment properties at 31 December 2021 are carried at fair value at that date as valued by B.I. Appraisal Limited, being independent qualified professional valuers not connected with the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Fair value measurement using			
	Quoted prices in active market (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for investment properties:				
31 December 2021	–	–	24,770	24,770
31 December 2020	–	–	24,127	24,127

19. INVESTMENT PROPERTIES (continued)

Reconciliation for fair value measurements categorised within Level 3 of the fair value hierarchy:

	Investment properties 2021 HK$'000	2020 HK$'000
Carrying amount at 1 January	**24,124**	18,400
Reclassified from properties held for sale	**–**	1,309
Gain on change in fair value of investment properties	**–**	3,194
Reclassified to assets classified as held for sale	**(24,770)**	–
Exchange realignment	**643**	1,224
Carrying amount at 31 December	**–**	24,127

There were no transfers into and out of level 3 during the year.

Below is a summary of the valuation techniques used and key inputs to the valuation of investment properties as at 31 December 2021 and 2020.

31 December 2021

Description	Fair value at 31 December 2021	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relation of unobservable inputs to fair value
Commercial property	HK$13,346,000	Income capitalisation method	(i) Average monthly market rent	RMB48,831 per month to RMB71,777 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	N/A	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB9,720 per square metre	The higher the market rate, the higher the fair value
Commercial property	HK$6,997,000	Income capitalisation method	(i) Average monthly market rent	RMB26,680 per month to RMB29,415 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	5.5%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB8,798 per square metre	The higher the market rate, the higher the fair value
Commercial property	HK$4,427,000	Income capitalisation method	(i) Average monthly market rent	RMB13,850 per month to RMB16,935 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	5.5%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB8,798 per square metre	The higher the market rate, the higher the fair value

19. INVESTMENT PROPERTIES (continued)

31 December 2020

Description	Fair value at 31 December 2020	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relation of unobservable inputs to fair value
Commercial property	HK$13,192,000	Income capitalisation method	(i) Average monthly market rent	RMB48,831 per month to RMB71,777 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	5.6%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB8,365 per square metre	The higher the market rate, the higher the fair value
Commercial property	HK$6,537,000	Income capitalisation method	(i) Average monthly market rent	RMB26,680 per month to RMB29,415 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	4.6%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB8,365 per square metre	The higher the market rate, the higher the fair value
Commercial property	HK$4,398,000	Income capitalisation method	(i) Average monthly market rent	RMB13,850 per month to RMB16,935 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	5.1%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB8,365 per square metre	The higher the market rate, the higher the fair value

20. PROPERTIES UNDER DEVELOPMENT

	2021 HK$'000	2020 HK$'000
Cost		
At 1 January	**1,499,271**	506,399
Acquired on acquisition of subsidiaries	**–**	667,926
Additions	**6,414**	336,898
Interest capitalised *(Note 10)*	**8,169**	7,027
Reclassified to properties held for sale under development *(Note 24)*	**–**	(79,014)
Exchange re-alignment	**35,947**	60,035
At 31 December	**1,549,801**	1,499,271

The properties are located in Hengqin and Doumen District, Zhuhai City, the PRC.

21. LICENSING RIGHTS

	2021 HK$'000	2020 HK$'000
Cost		
At 1 January	**92,430**	91,713
Exchange realignment	**444**	717
At 31 December	**92,874**	92,430
Accumulated amortisation and impairment		
At 1 January	**82,230**	75,871
Amortisation charge for the year	**1,884**	2,470
Impairment losses recognised in profit or loss	**–**	3,219
Exchange realignment	**431**	670
At 31 December	**84,545**	82,230
Carrying amount		
At 31 December	**8,329**	10,200

The licensing rights represent the rights granted to hotel operating rights holders to operate and manage the Group's hotel located in Maoming City, the PRC under hotel operating rights agreements.

As at 31 December 2021, the remaining useful lives of the licensing rights over which amortisation to be taken up are approximately 53 months (2020: 65 months). The useful lives of licensing rights are determined by reference to the tenure of the aforesaid hotel operating rights agreements.

22. GOODWILL

	2021 HK$'000	2020 HK$'000
Carrying amount		
At the beginning of the year	**50,290**	–
Arising from acquisition of subsidiaries	**–**	50,290
Impairment loss recognised on goodwill	**(50,290)**	–
At the end of the year	**–**	50,290

The goodwill arose from the acquisition of Eway International Investment Limited ("Eway International") which was completed in September 2020. The CGU to which the goodwill was allocated represents Eway International which, through its PRC subsidiaries, is principally engaging in the development, leasing and management of properties located in the PRC.

22. GOODWILL (continued)

The Company engaged a valuer, B.I. Appraisals Limited ("the valuer") to conduct a valuation, according to Hong Kong Accounting Standard 36, "Impairment of Assets" ("HKAS 36") on the value in use of the cash-generating unit ("CGU") as at 31 December 2021 and 31 December 2020, respectively.

The key assumptions for the value-in-use calculation are those regarding the discount rates, the budgeted revenue and budgeted expenses during the forecasting periods, which are determined by the management based on the past performance and management's expectations for the market development.

The recoverable amount of the CGU was determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by the management. Cash flows beyond five-year period are extrapolated using growth rate of 2.0% per annum (2020: 2.6% per annum). The cash flow projections are discounted at discount rate of 10.51% per annum (2020: 10.51% per annum), which reflects the specific risks relating to such CGU.

Based on the calculation of the value-in-use of the CGU to which the goodwill is allocated, coupled with the adverse impact from the persistence of the Novel Coronavirus together with the relevant negative government measures in relation to the property development industry in the PRC, the management of the Group considered it appropriate to make full impairment of the goodwill in the consolidated financial statements.

23. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Group were pledged to banks and financial institutions to secure general banking and loan facilities granted to subsidiaries of the Group.

	2021 **HK$'000**	2020 HK$'000
Carrying amount of the assets pledged:		
Buildings *(Notes 17(a) and 36)*	**198,824**	215,400
Right-of-use assets — leasehold land *(Notes 18 and 36)*	**47,366**	49,048
Properties held for sale under development *(Notes 24 and 36)*	**646,040**	609,031
	892,230	873,479
Pledged bank balances including:		
Amount pledged to banks to secure mortgage facilities granted to purchasers of the Group's properties held for sale	**–**	1,056
Pledged restricted bank balances including:		
Amount pledged to banks to secure bank loans *(Notes 29 and 36)*	**336,460**	122,482
Aggregate carrying amount of assets pledged	**1,228,690**	997,017

In addition, as at 31 December 2021, all the equity interests in a subsidiary beneficially held by the Group and non-controlling shareholders were pledged to secure bank loan facilities granted to the Group (Note 36).

24. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

Movements of the properties in the PRC held for sale under development are as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 January	**1,682,818**	688,752
Development expenditure incurred for the year	**158,069**	450,805
Acquired on acquisition of subsidiaries	**–**	352,674
Transferred from properties under development *(Note 20)*	**–**	79,014
Interest capitalised *(Note 10)*	**18,032**	32,207
Reclassified to assets classified as held for sale	**(65,787)**	–
Exchange realignment	**35,833**	79,366
At 31 December	**1,828,965**	1,682,818

24. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT (continued)

Included in properties held for sale under development are certain land parcels located in Chengdu, the PRC with the carrying amount of HK$646,040,000 as at 31 December 2021 (2020: HK$609,031,000) which had been pledged to a financial institution to secure bank loans granted to the Group (Notes 23 and 36).

25. PROPERTIES HELD FOR SALE

	2021 **HK$'000**	2020 HK$'000
Properties held for sale		
— Completed	**–**	1,496
— Under development *(note 24)*	**1,828,965**	1,682,818
	1,828,965	1,684,314

26. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Hygiene products	**–**	1,224
	–	1,224

27. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables, gross	**94,965**	92,610
Impairment loss recognised	**(94,904)**	(91,873)
	61	737

Credit period normally granted to customers of the Group is 30 days.

An aged analysis of the trade receivables after impairment loss recognised, based on invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 month	**61**	222
1–3 months	**–**	63
4–12 months	**–**	452
	61	737

Movements in impairment loss recognised on trade receivables are as follows:

	2021 HK$'000	2020 HK$'000
At the beginning of the year	**91,873**	86,961
Impairment loss recognised, net	**–**	8,193
Exchange realignment	**3,031**	(3,281)
At the end of the year	**94,904**	91,873

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments and deposits paid	**112,397**	26,451
Other receivables		
— Refundable payment made to PRC local authority for guarantee of due performance of property development undertaken by the Group	**7,575**	8,669
— Value added tax recoverable	**168,860**	85,649
— Receivables from customers *(Note (a))*	**5,613**	7,690
— Sundry receivables *(Note (b))*	**–**	6,302
	182,048	108,310
	294,445	134,761

Notes:

(a) The Group had made payments to government authorities on behalf of its property purchasers and it is expected that these payments are recoverable from the purchasers on a cost reimbursement basis.

(b) Sundry receivables at 31 December 2020 represent receivables from a brother of a director and other unrelated parties amounted to HK$1,604,000 and HK$4,698,000, respectively, which were unsecured, interest free and were fully repaid to the Group during the current year.

29. RESTRICTED BANK BALANCES

	2021 HK$'000	2020 HK$'000
Guarantee deposits for construction of pre-sold properties	**439,905**	255,835

In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, proceeds received by the Group from pre-sale of properties are placed with banks and these deposits with banks are only applied for the payments of property development expenditure incurred for the Group's relevant property projects.

The Group's restricted bank balances of HK$336,460,000 (2020: HK$122,482,000) have been pledged to secure bank loans granted to the Group (Notes 23 and 36).

30. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**46,669**	82,839
Cash and cash equivalents	**46,669**	82,839

As at 31 December 2021, the cash and bank balances of the Group to the extent of HK$39,285,000 (2020: HK$68,303,000) were denominated in RMB. The RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, it is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The bank balances, restricted bank balances (Note 29) and pledged bank balances (Note 23) are deposited with creditworthy banks with no recent history of default.

31. LOAN RECEIVABLES

	2021 HK$'000	2020 HK$'000
Loan receivables	**19,000**	19,000
Less: Impairment loss recognised	**(19,000)**	(19,000)
	–	–

The loan receivables are unsecured, carry interest at 9% per annum and is long overdue for repayment. Impairment loss was fully recognised on the loan in prior years as the loan settlement cannot be ascertained with reasonable certainty.

32. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	2021 HK$'000
Assets of disposal group	
Property, plant and equipment	1
Investment properties	24,770
Pledged bank balances	1,089
Properties held for sale under development	65,787
Properties held for sale	1,354
Trade receivables	376
Prepayment and other receivables	43,149
Cash and cash equivalents	38,481
Assets of disposal group classified as held for sale	**175,007**
Liabilities of disposal group	
Trade and other payables	1,905
Contract liabilities	13,448
Deferred tax liabilities	4,987
	20,340
Deposits received by the Group on sale of disposal group	30,000
Liabilities directly associated with the assets of disposal group classified as held for sale	**50,340**

Note: On 5 November 2021, the Company entered into an agreement (the "Disposal Agreement") with an entity indirectly wholly-owned by Mr. Yang Lijun, a director of the Company ("the Purchaser"), pursuant to which the Group has agreed to dispose to the Purchaser the entire equity interests in and shareholders' advances to its subsidiary, Ceneric Properties Limited ("Ceneric Properties"), for an aggregate consideration of HK$282,000,000, a deposit amounted to HK$30,000,000 of which was received by the Group as at 31 December 2021. Ceneric Properties and its subsidiaries are principally engaged in property development and investment in the PRC. At the end of the reporting period and up to the date of approval of the consolidated financial statements, the disposal of Ceneric Properties was not completed, which is subject to, inter alia, the approval from the shareholders of the Company. Management is of the view that it is highly probable that completion of the disposal of Ceneric Properties will take place within one year from the date of the Disposal Agreement. Accordingly, the assets and liabilities of Ceneric Properties and its subsidiaries were reclassified under the assets held for sale and the liabilities associated with assets classified as held for sale in the Group's consolidated statement of financial position as at 31 December 2021.

33. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Trade payables for property development expenditure *(Note a)*	**275,204**	643,012
Value-added tax payable	**140,343**	68,809
Interest payable	**92,355**	30,999
Lease liabilities	**542**	30
Short-term advances *(Note b)*	**–**	118,156
Other payables and accruals	**150,006**	43,589
	658,450	904,595

Note:

(a) The following is an aged analysis of trade payables for property development expenditure presented based on the invoice date:

	2021 HK$'000	2020 HK$'000
Within 1 month	**143,020**	554,116
1–3 months	**132,184**	88,896
	275,204	643,012

(b) The short-term advances from a brother of a director and other parties amounting to Nil (2020: HK$48,966,000) and Nil (2020: HK$69,190,000), respectively, are unsecured, interest free and with no fixed repayment terms.

34. AMOUNT DUE TO NON-CONTROLLING INTEREST

The amount due to non-controlling interest is unsecured, interest free and has no fixed repayment terms.

35. AMOUNT DUE TO A DIRECTOR

	2021 HK$'000	2020 HK$'000
Amount due to a director repayable:		
— Within one year	**–**	3,500
— Within a period of more than one year but not exceeding two years	**40,747**	–
— Within a period of more than two years but not exceeding five years	**–**	31,910
	40,747	35,410
Analysed for reporting purpose:		
— Current liabilities	**–**	3,500
— Non-current liabilities	**40,747**	31,910
	40,747	35,410

The amount due to a director, Mr. Yang Lijun, is unsecured, and carries interest at interest rates ranged from 9% to 13% per annum (2020: 9% to 13% per annum).

36. LOANS AND BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank loans		
— secured	**413,273**	425,646
Other loans and borrowings		
— secured	**756,000**	806,550
— unsecured	**564,883**	555,078
	1,320,883	1,361,628
	1,734,156	1,787,274

	2021 HK$'000	2020 HK$'000
Loans and borrowings repayable:		
Within 1 year	**785,245**	375,372
After 1 year but within 2 years	**134,028**	856,824
After 2 years but within 5 years	**814,883**	555,078
	1,734,156	1,787,274
Less: Portion repayable within one year included in current liabilities	**(785,245)**	(375,372)
Portion not repayable within one year included in non-current liabilities	**948,911**	1,411,902

	2021 HK$'000	2020 HK$'000
Loans and borrowings chargeable at		
— fixed interest rates	**1,320,883**	1,534,555
— variable interest rates	**413,273**	252,719
	1,734,156	1,787,274

Bank loans

The bank loans outstanding at 31 December 2021 carried interests at the interest rates ranged from HIBOR plus 3.5% to a fixed rate of 8.8% per annum. The bank loans outstanding at 31 December 2020 carried interests at the interest rates ranged from HIBOR plus 3.5% to a fixed rate of 8.8% per annum.

The bank loans at 31 December 2021 to the extent of HK$176,062,000 (2020: HK$173,922,000) were secured by (i) pledge of all the equity interest in a subsidiary beneficially held by the Group and non-controlling shareholders (ii) guarantees given by a former director of the Company; (iii) guarantees given by a non-controlling shareholder of the subsidiary; and (iv) pledge of the Group's restricted bank balances of HK$205,519,000 (2020: HK$98,018,000) (Note 29).

36. LOANS AND BORROWINGS (continued)

Bank loans (continued)

The bank loans at 31 December 2021 to the extent of HK$156,060,000 (2020: HK$172,926,000) were secured by (i) guarantees given by a director of the Company, Mr. Yang Lijun; (ii) guarantees given by a company which is controlled by a brother of a director, Mr. Yang Lijun; (iii) guarantees given by a subsidiary of the Company; (iv) pledge of the Group's properties held for sale under development located in Chengdu, the PRC with the carrying amount of HK$646,040,000 (2020: HK$103,203,000); and (v) pledge of the Group's restricted bank balances of HK$130,941,000 (2020: HK$24,464,000) (Note 29).

The remaining balance of the bank loans at 31 December 2021 of HK$81,151,000 (2020: HK$78,798,000) was secured by the Group's leasehold land and buildings located in Maoming City, the PRC with the aggregate carrying amount of HK$246,190,000 (2020: HK$264,448,000) (Notes 17 and 18).

Other loans and borrowings

Other loans and borrowings carried interests at the interest rates ranged from 9% to 15% per annum. At 31 December 2021, secured loans and borrowings amounted to HK$694,800,000 (2020: HK$723,355,000) and HK$61,200,000 (2020: HK$83,195,000) were secured by guarantees given by Mr. Yang Lijun and Mr. Yu Shunhui, directors of the Company, respectively.

The loans and borrowings with the aggregate carrying amount of HK$514,217,000 (2020: HK$623,922,000) are denominated in currencies other than the functional currencies of the relevant group entities.

37. CONTRACT LIABILITIES

	2021	2020
	HK$'000	HK$'000
Advance payments received for sales of properties	**1,974,806**	754,137

The Group received payments from customers based on billing schedules as stipulated in the property sale contracts. Payments are usually received in advance of the performance under the sale contracts.

The following table shows the amount of the revenue recognised in the current reporting period which relates to contract liability balance at the beginning of the year:

	2021	2020
	HK$'000	HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**531**	–

Management expects that the transaction prices allocated to the unsatisfied contracts related to sale of properties at 31 December 2021 amounted to approximately RMB1,875.6 million (2020: RMB996.2 million), which will be recognised as revenue within the next three financial years.

38. PROMISSORY NOTE PAYABLE

	2021 HK$'000	2020 HK$'000
Promissory note payable:		
— Within a period of more than one year but not exceeding two years	**107,827**	–
— Within a period of more than two years but not exceeding five years	**–**	107,427
	107,827	107,427

39. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**542**	30
Within a period of more than one year but not more than two years	**507**	–
Within a period of more than two years but not more than five years	**–**	–
	1,049	30
Less: Amount due for settlement within twelve months included in current liabilities *(Note 33)*	**(542)**	(30)
Amount due for settlement after twelve months shown under non-current liabilities	**507**	–

40. DEFERRED TAX LIABILITIES

	2021 HK$'000	2020 HK$'000
Deferred tax liabilities, net recognised	**145,239**	150,426

40. DEFERRED TAX LIABILITIES (continued)

Movements in deferred tax (liabilities)/assets were as follows:

	Deferred tax (liabilities)/assets attributable to					
	Fair value adjustment to properties under development on business combination HK$'000	Accelerated tax depreciation HK$'000	Surplus on property valuation HK$'000	Change in fair value of investment properties HK$'000	Sale of properties recognised over time HK$'000	Total HK$'000
At 1 January 2020	(13,218)	(11,070)	(5,326)	1,517	(2,225)	(30,322)
Acquisition of subsidiaries	(119,744)	–	–	–	–	(119,744)
Credited/(charged) to profit or loss *(Note 12(a))*	–	843	(772)	(27)	–	44
Exchange realignment	–	–	(353)	101	(152)	(404)
At 31 December 2020 and 1 January 2021	**(132,962)**	**(10,227)**	**(6,451)**	**1,591**	**(2,377)**	**(150,426)**
Credited to profit or loss *(Note 12(a))*	**–**	**399**	**–**	**–**	**–**	**399**
Transferred to liabilities directly associated with assets of disposal group classified as held for sale *(Note 32)*	**–**	**–**	**6,643**	**(1,656)**	**–**	**4,987**
Exchange realignment	**–**	**–**	**(192)**	**65**	**(72)**	**(199)**
At 31 December 2021	**(132,962)**	**(9,828)**	**–**	**–**	**(2,449)**	**(145,239)**

As at 31 December 2021, the Group has tax losses arising in Hong Kong of HK$49,870,000 (2020: HK$49,870,000) that are available indefinitely for offsetting against future taxable profits of the relevant Group's relevant subsidiaries in which the losses arose. The Group also had tax losses arising in the PRC of HK$74,291,000 at 31 December 2021 (2020: HK$38,972,000) that will expire in one to five years for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses, due to the unpredictability of future profit streams.

41. SHARE CAPITAL

	2021 HK$'000	2020 HK$'000
Authorised: 100,000,000,000 (2020: 100,000,000,000) ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid: 6,946,350,040 (2020: 6,946,350,040) ordinary shares of HK$0.01 each	**69,464**	69,464

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**4,645**	4,645
	4,645	4,645
CURRENT ASSETS		
Prepayments, deposits and other receivables	**563**	541
Amounts due from subsidiaries	**288,368**	257,012
Cash and cash equivalents	**3,195**	5,221
	292,126	262,774
CURRENT LIABILITIES		
Other payables and accruals	**46,411**	4,634
Amounts due to subsidiaries	**68,183**	67,891
Amount due to a director	**–**	3,500
	114,594	76,025
NET CURRENT ASSETS	**177,532**	186,749
TOTAL ASSETS LESS CURRENT LIABILITIES	**182,177**	191,394
NON-CURRENT LIABILITIES		
Amount due to a director	**9,200**	–
Promissory note payable	**107,827**	107,427
TOTAL NON-CURRENT LIABILITIES	**117,027**	107,427
NET ASSETS	**65,150**	83,967
EQUITY		
Share capital	**69,464**	69,464
Reserves *(Note)*	**(4,314)**	14,503
TOTAL EQUITY	**65,150**	83,967

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 21 April 2022 and is signed on its behalf by:

Yang Lijun
Director

Gao Jingyao
Director

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: Movements of the reserves of the Company are as follows:

	Share premium account	Capital reduction reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	778,892	191,925	(685,772)	285,045
Loss and total comprehensive loss for the year	–	–	(270,542)	(270,542)
At 31 December 2020	**778,892**	**191,925**	**(956,314)**	**14,503**
Loss and total comprehensive loss for the year	**–**	**–**	**(18,817)**	**(18,817)**
At 31 December 2021	**778,892**	**191,925**	**(975,131)**	**(4,314)**

43. 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. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable (included in trade payables, other payables and accruals)	Lease liabilities	Loans and borrowings	Promissory note payable	Amount due to a director	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	32,145	1,729	919,916	–	–	953,790
Financing cash inflows	–	–	647,852	–	37,863	685,715
Financing cash outflows	(131,993)	(695)	(560,492)	–	(34,000)	(727,180)
Finance costs *(Note 10)*	122,955	51	–	3,007	–	126,013
Interest payable on promissory note reclassified	2,892	–	–	(2,892)	–	–
Termination of leases	–	(1,070)	–	–	–	(1,070)
Acquisition of subsidiaries	5,000	–	729,624	107,312	31,547	873,483
Exchange realignment	–	15	50,374	–	–	50,389
At 31 December 2020	30,999	30	1,787,274	107,427	35,410	1,961,140
At 1 January 2021	**30,999**	**30**	**1,787,274**	**107,427**	**35,410**	**1,961,140**
Financing cash inflows	**–**	**–**	**66,357**	**–**	**5,337**	**71,694**
Financing cash outflows	**(100,104)**	**(146)**	**(149,751)**	**–**	**–**	**(250,001)**
Finance costs *(Note 10)*	**151,686**	**28**	**–**	**10,174**	**–**	**161,888**
Commencement of leases	**–**	**1,133**	**–**	**–**	**–**	**1,133**
Interest payable on promissory note reclassified	**9,774**	**–**	**–**	**(9,774)**	**–**	**–**
Exchange realignment	**–**	**4**	**30,276**	**–**	**–**	**30,280**
At 31 December 2021	**92,355**	**1,049**	**1,734,156**	**107,827**	**40,747**	**1,976,134**

44. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, the Group acquired certain subsidiaries for a consideration, which were settled by the issue of promissory note payable.

45. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2021 (2020: Nil).

46. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out investment properties and part of its property in Maoming City, the PRC under a non-cancellable operating lease agreement, with lease terms from three years to fifteen years. The lease agreement requires the tenant to pay security deposit of the lease.

At 31 December 2021, the Group had total future minimum lease receivables falling due as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**1,649**	2,293
In the second to fifth years, inclusive	**2,469**	6,536
After five years	**892**	8,082
	5,010	16,911

47. CONTINGENT LIABILITIES

As at 31 December 2021, the Group had contingent liabilities amounting to HK$365,046,000 (2020: HK$130,641,000) in respect of the buy-back guarantee in favour of banks to secure mortgage loan facilities granted to the purchasers of the Group's properties.

48. PROJECT COMMITMENTS

As at 31 December 2021, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately HK$832,008,000 (2020: HK$390,086,000).

49. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances with related parties disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties:

Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**1,849**	7,179
Post-employment benefits	**21**	66
	1,870	7,245

50. SHARE OPTION SCHEME

A share option scheme was adopted pursuant to an ordinary resolution passed by the shareholders of the Company on 8 June 2011 (the "2011 Share Option Scheme"). The 2011 Share Option Scheme has been terminated upon adoption of a new share option scheme by ordinary resolution of shareholders of the Company at the annual general meeting of the Company held on 28 May 2021 ("New Share Option Scheme"). Upon termination of the 2011 Share Option Scheme, no further options of the 2011 Share Option Scheme shall be offered thereunder.

The purpose of the New Share Option Scheme is to provide incentives or rewards to the participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity of the Group.

The total number of shares which may be issued upon exercise of all options which may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue on 28 May 2021 (the "Adoption Date") (the "Scheme Mandate Limit") unless the Company obtains a fresh approval from the shareholders in general meeting.

50. SHARE OPTION SCHEME (continued)

With the approval of the shareholders in general meeting to refresh the Scheme Mandate Limit, the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the refreshment by the shareholders.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time. Under the Scheme, the Directors have discretion to set a minimum period for which an option has to be held before the exercise of the subscription rights attaching thereto.

The Board may grant options to any participant if the total number of shares issued and to be issued upon exercise of all options granted and to be granted in excess of 1% of the shares in issue in any 12-month period subject to the approval of shareholders in general meeting (with the proposed participant and his associates abstaining from voting).

According to the new share option plan, the Board has the absolute discretion to determine a period not exceeding ten (10) years within which an option to be held by a participant before exercise, subject to the requirements of the New Share Option Scheme. During the year ended 31 December 2021 and as of the date of approval of these consolidated financial statements, no options were granted, exercised, forfeited, cancelled or lapsed nor were there any option outstanding under the Scheme.

The exercise price will be determined by the Board at its absolute discretion. The minimum exercise price shall not be less than the highest of: (A) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (B) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (C) the nominal value of a share on the date of grant. A participant shall pay HK$1.00 to the Company by way of consideration for the grant.

The New Share Option Scheme became effective on the Adoption Date, subject to earlier termination at any time decided by the Board and approval of shareholders by ordinary resolution in a general meeting. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options will be granted. As of the date of this report, the remaining life of the Scheme is approximately 9 years.

Up to the date of this report, there is no options granted under the New Share Option Scheme.

As at the date of this report, the total number of shares available for issue under the New Share Option Scheme may not exceed 694,635,004 shares, which represents 10% of the shares in issue of the Company at the Adoption Date.

51. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2021 and 31 December 2020 are as follows:

Name of company	Place of incorporation/ registration and principal country of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company 2021	2020	Class of shares held	Principal activities
Born King Investment Holdings Limited 保皇投資控股有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	100	100	Ordinary	Hotel business
Bright Profit Investments Limited	British Virgin Islands/PRC	Limited liabilities company	US$50,000	55	55	Ordinary	Investment holding
Brilliant Wonder Global Limited 卓妙環球有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Ceneric Financial Services Limited 新嶺域財務有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$86,054,000	100	100	Ordinary	Investment holding
Ceneric Capital Limited 新嶺域資金有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$300,000	100	100	Ordinary	Money lending
Ceneric Consultant Limited 新嶺域顧問有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Ceneric Corporate Limited 新嶺域企業有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$50,000	100	100	Ordinary	Investment holding
Ceneric Hotel International Limited	Cayman Islands/Hong Kong	Limited liabilities company	HK$200	100	100	Ordinary	Investment holding
Ceneric Hotel Investments Limited	Cayman Islands/Hong Kong	Limited liabilities company	HK$200	100	100	Ordinary	Investment holding
Ceneric Properties Limited	British Virgin Islands/PRC	Limited liabilities company	US$2	100	100	Ordinary	Investment holding
China TFG Group Limited 中國富元集團有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$10,000	100	100	Ordinary	Investment holding
Eastern Premium Limited 東溢有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Ever Point Enterprises Limited 永邦企業有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Eway International Investment Limited 億偉國際投資有限公司	British Virgin Islands/PRC	Limited liabilities company	US$50,000	100	100	Ordinary	Investment holding
Fast Progress Corporation Limited 迅達興業有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$1	100	100	Ordinary	Investment holding
First Max International Limited	British Virgin Islands/PRC	Limited liabilities company	US$3	100	100	Ordinary	Investment holding
Good Able Investment Limited 佳祥投資有限公司	Hong Kong/PRC	Limited liabilities company	HK$250,099,325	100	100	Ordinary	Hotel business
Hengqin Germany City Investment (Macau) Limited 橫琴德國城投資(澳門)有限公司	Macau/PRC	Limited liabilities company	MOP1,000,000	70	70	Registered capital	Investment holding
Jubilation Properties Limited	British Virgin Islands/PRC	Limited liabilities company	US$50,000	55	55	Ordinary	Investment holding

51. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and principal country of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company 2021	2020	Class of shares held	Principal activities
Ling Bong Fu Shun Limited 寧邦富純有限公司	Hong Kong/PRC	Limited liabilities company	HK$10,000	100	100	Ordinary	Investment holding
Ling Bong Fu To Limited 寧邦富濤有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$10,000	100	100	Ordinary	Investment holding
Mega Vast Development Limited 萬鵬發展有限公司	Hong Kong/PRC	Limited liabilities company	HK$1	100	100	Ordinary	Investment holding
More Earn HK Development Limited 萬盈香港發展有限公司	Hong Kong/PRC	Limited liabilities company	HK$10,000	100	100	Ordinary	Investment holding
New Stage Holdings Limited	British Virgin Islands/PRC	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Oriental Surge Limited 東濤有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Pure Proficient Limited 純通有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Quick Ridge Limited 迅嶺有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Rich Source Property Holdings Limited 富源地產控股有限公司	British Virgin Islands/PRC	Limited liabilities company	US$100,000	100	100	Ordinary	Investment holding
TFG International Hong Kong Limited 富元國際香港有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$1	100	100	Ordinary	Investment holding
Total Nation Investments Limited 國邦投資有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
Vista International Hotels Limited 景星國際酒店管理有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$10	100	100	Ordinary	Investment holding
			HK$300,000	100	100	Non-voting deferred	
World China Investment Limited 漢世投資有限公司	Hong Kong/PRC	Limited liabilities company	HK$1	100	100	Ordinary	Investment holding
World Finder Limited	British Virgin Islands/PRC	Limited liabilities company	US$10,001	100	100	Ordinary	Investment holding
Worth Fame Limited 貴譽有限公司	British Virgin Islands/Hong Kong	Limited liabilities company	US$1	100	100	Ordinary	Investment holding
中山星晨廣場房地產發展有限公司 (literally translated as "Zhongshan Morning Star Plaza Housing and Real Estate Development Limited")	PRC/PRC	Wholly foreign owned enterprise	US$2,100,000	55	55	Registered capital	Property development
中山市星晨花園會所有限公司 (literally translated as "Zhongshan Morning Star Villa Club Co., Ltd.")	PRC/PRC	Wholly foreign owned enterprise	US$1,400,000	55	55	Registered capital	Operation of clubhouses in Morning Star Villa

51. PRINCIPAL SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and principal country of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company 2021	2020	Class of shares held	Principal activities
中山星晨花園房地產發展有限公司 (literally translated as "Zhongshan Morning Star Villa Housing and Real Estate Development Limited")	PRC/PRC	Wholly foreign owned enterprise	US$4,600,000	**55**	55	Registered capital	Property development
茂名市華盈酒店物業管理有限公司	PRC/PRC	Wholly foreign owned enterprise	HK$10,000,000	**100**	100	Registered capital	Hotel business
中山富杰投資有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Property development
中山富浩投資有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Investment holding
中山卓妙房地產顧問有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Agency service
中山市富展房地產顧問有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Property development
中山市德至健康科技有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Manufacturing
珠海橫琴富昌盛實業發展有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB500,000,000	**70**	70	Registered capital	Property development
成都市富浩房地產開發有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Property development
珠海市富元商業發展有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB250,000,000	**100**	100	Registered capital	Property development
珠海市橫琴新區萬盈酒店管理有限公司	PRC/PRC	Wholly foreign owned enterprise	RMB10,000,000	**100**	100	Registered capital	Hotel business
中山市富展信息咨詢有限公司	PRC/PRC	Limited liabilities company	RMB1,000,000	**51**	—	Registered capital	Investment holding
中山市富德信息咨詢有限公司	PRC/PRC	Limited liabilities company	RMB10,000,000	**75**	—	Registered capital	Agency service
富元智慧停車（上海）有限公司	PRC/PRC	Limited liabilities company	RMB10,000,000	**51**	—	Registered capital	Agency service
廣東順拓科技有限公司	PRC/PRC	Limited liabilities company	RMB10,000,000	**51**	—	Registered capital	Agency service

The above table lists the subsidiaries of the Company as at 31 December 2021 which, in the opinion of the Directors, 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, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities as at the end of the year.

51. PRINCIPAL SUBSIDIARIES (continued)

Non-wholly owned subsidiaries that have material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Bright Profit Investments Limited	**45%**	45%
Jubilation Properties Limited	**45%**	45%
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**45%**	45%
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**45%**	45%
Zhongshan Morning Star Villa Club Co., Ltd.	**45%**	45%
Hengqin Germany City Investment (Macau) Limited	**30%**	30%
珠海橫琴富昌盛實業發展有限公司*	**30%**	30%

* *珠海橫琴富昌盛實業發展有限公司 is a wholly-owned subsidiary of Hengqin Germany City Investment (Macau) Limited.*

	2021 HK$'000	2020 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Bright Profit Investments Limited	**(28)**	(24)
Jubilation Properties Limited	**(27)**	(27)
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**139**	1,089
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**(509)**	(52)
Zhongshan Morning Star Villa Club Co., Ltd.	**(266)**	(449)
Hengqin Germany City Investment (Macau) Limited and its subsidiary	**(13,549)**	422
Subsidiaries have immaterial non-controlling interests	**(1,002)**	–
	(15,242)	959
Accumulated balances of non-controlling interests at the reporting dates:		
Bright Profit Investments Limited	**16,704**	16,241
Jubilation Properties Limited	**27,909**	27,120
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**7,438**	7,083
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**20,890**	20,802
Zhongshan Morning Star Villa Club Co., Ltd.	**(23,158)**	(22,225)
Hengqin Germany City Investment (Macau) Limited and its subsidiary	**(15,315)**	(1,195)
Subsidiaries have immaterial non-controlling interests	**5,900**	6,902
	40,368	54,728

51. PRINCIPAL SUBSIDIARIES (continued)

Non-wholly owned subsidiaries that have material non-controlling interests (continued)

	2021 HK$'000	2020 HK$'000
Bright Profit Investments Limited		
Total revenue	–	–
Total expenses	(63)	(53)
Loss for the year	(63)	(53)
Total comprehensive loss for the year	(63)	(53)
Current assets	37,625	36,534
Non-current assets	–	–
Current liabilities	(505)	(443)
Non-current liabilities	–	–
Net cash flows used in operating activities	–	(5)
Net decrease in cash and cash equivalents	–	(5)
Jubilation Properties Limited		
Total revenue	–	–
Total expenses	(59)	(60)
Loss for the year	(59)	(60)
Total comprehensive loss for the year	(59)	(60)
Current assets	62,501	60,691
Non-current assets	–	–
Current liabilities	(481)	(425)
Non-current liabilities	–	–
Net cash flows used in operating activities	(3)	(1)
Net decrease in cash and cash equivalents	(3)	(1)
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited		
Total revenue	1,517	4,055
Total expenses	(1,208)	(1,636)
Income for the year	309	2,419
Total comprehensive income for the year	1,015	1,019
Current assets	44,934	43,103
Non-current assets	11,629	11,293
Current liabilities	(38,425)	(37,092)
Non-current liabilities	(1,609)	(1,563)
Net cash flows used in operating activities	(2,082)	(2,951)
Net decrease in cash and cash equivalents	(2,082)	(2,951)

51. PRINCIPAL SUBSIDIARIES (continued)

Non-wholly owned subsidiaries that have material non-controlling interests (continued)

	2021 HK$'000	2020 HK$'000
Zhongshan Morning Star Villa Housing and Real Estate Development Limited		
Total revenue	**1,176**	1,498
Total expenses	**(2,308)**	(1,614)
Loss for the year	**(1,132)**	(116)
Total comprehensive income for the year	**(385)**	(1,752)
Current assets	**87,382**	73,003
Non-current assets	**14,231**	13,192
Current liabilities	**(51,814)**	(36,671)
Non-current liabilities	**(3,298)**	(3,298)
Net cash flows generated from operating activities	**12,947**	790
Net increase in cash and cash equivalents	**12,947**	790
Zhongshan Morning Star Villa Club Co., Ltd.		
Total revenue	**831**	272
Total expenses	**(1,423)**	(1,269)
Loss for the year	**(592)**	(997)
Total comprehensive loss for the year	**(592)**	(997)
Current assets	**578**	402
Non-current assets	**–**	–
Current liabilities	**(52,040)**	(49,790)
Non-current liabilities	**–**	–
Net cash flows generated/(used in) from operating activities	**4**	(112)
Net increase/(decrease) in cash and cash equivalents	**4**	(112)

51. PRINCIPAL SUBSIDIARIES (continued)

Non-wholly owned subsidiaries that have material non-controlling interests (continued)

	2021 HK$'000	2020 HK$'000
Hengqin Germany City Investment (Macau) Limited and its subsidiary		
Total revenue	**18,215**	38,266
Total expenses	**(63,379)**	(36,858)
(Loss)/gain for the year	**(45,164)**	1,408
Total comprehensive (loss)/income for the year	**(45,734)**	1,408
Current assets	**853,501**	684,146
Non-current assets	**826,840**	791,823
Current liabilities	**(1,704,369)**	(1,434,025)
Non-current liabilities	**(66,675)**	(85,582)
Net cash flows generated from operating activities	**154,517**	203,137
Net cash flows used in investing activities	**(6,413)**	(331,202)
Net cash flows (used in)/generated from financing activities	**(26,198)**	57,196
Net increase/(decrease) in cash and cash equivalents	**121,906**	(70,869)

52. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and financial liabilities of the Group can be categorised as follows:

	Financial assets at amortised cost HK$'000
Financial assets	
31 December 2021	
Trade receivables	**61**
Other receivables	**182,048**
Pledged bank balances	**–**
Restricted bank balance	**439,905**
Cash and cash equivalents	**46,609**
	668,623
Financial assets	
31 December 2020	
Trade receivables	737
Other receivables	113,806
Pledged bank balances	1,056
Restricted bank balance	255,835
Cash and cash equivalents	82,839
	454,273

52. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Financial liabilities at amortised cost HK$'000
Financial liabilities	
31 December 2021	
Trade payables, other payables and accruals	**517,566**
Amount due to a director	**40,747**
Amount due to non-controlling interest	**2,142**
Promissory note payable	**107,827**
Loans and borrowings	**1,734,156**
Lease liabilities	**1,049**
	2,403,487
Financial liabilities	
31 December 2020	
Trade payables, other payables and accruals	835,756
Amount due to a director	35,410
Amount due to non-controlling interest	64,217
Promissory note payable	107,427
Loans and borrowings	1,787,274
Lease liabilities	30
	2,830,114

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include trade and other receivables, pledged bank balances, restricted bank balances, cash and cash equivalents, trade payables, other payables and accruals, amount due to non-controlling interest, amount due to a director, promissory note payable, lease liabilities and loans and borrowings.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's interest rate risk arises primarily from portions of the Group's bank deposits and loans and borrowings which are carried at floating interest rates.

The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group's net borrowings (being loans and borrowings less bank deposits) is closely monitored by management.

At 31 December 2021, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's loss before tax and equity by approximately HK$731,000 (2020: HK$868,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the non-derivative financial liabilities in existence at that date. The 1% increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2020.

Foreign currency risk

The Group has certain foreign currency monetary assets and liabilities and was exposed to foreign exchange risk rising from various kinds of currency exposures, mainly comprising United States Dollars ("USD") and Hong Kong dollars ("HK$"). The Group monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only foreign currency denominated monetary items and adjusted their transaction at the year end for a 5% fluctuation in foreign currency rates. As at 31 December 2021, if 5% (2020: 5%) weakening/strengthening of RMB against USD and HK$, the Group's loss before tax would decrease/increase by approximately RMB38,355,000, equivalent to HK$45,585,000 (2020: decrease/increase by approximately RMB34,535,000, equivalent to HK$41,045,000).

Price risk

The Group is not exposed to equity security price risk as no equity securities were held by the Group at the end of the reporting period.

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

(i) TRADE RECEIVABLES

The credit quality of the debtors is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors.

The allowance on trade receivables is analysed as follows:

	2021 **HK$'000**	2020 HK$'000
Allowance made for trade receivables		
— based on expected credit losses methodology *(note a)*	**94,904**	78,324
— additional allowance made on existing hotel operating right holder *(note b)*	**–**	13,549
Total loss allowance made for trade receivables	**94,904**	91,873

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(i) TRADE RECEIVABLES (continued)

Notes:

(a) *The Group applies the simplified approach to provide for expected credit losses for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.*

As at 31 December 2021, the loss allowance for trade receivables was determined as follows:

31 December 2021

	Receivables aged (based on invoice date)				
	0–30 days	31–90 days	91–360 days	more than 360 days	Total
Expected loss rate	100%	100%	100%	100%	
Gross carrying amount (HK$'000)	61	–	–	94,904	94,965
Loss allowance (HK$'000)	–	–	–	94,904	94,904

31 December 2020

	Receivables aged (based on invoice date)				
	0–30 days	31–90 days	91–360 days	more than 360 days	Total
Expected loss rate	0%	0%	0%	100.0%	
Gross carrying amount (HK$'000)	1,351	3,450	9,485	78,324	92,610
Loss allowance (HK$'000)	–	–	–	78,324	78,324

The above expected credit losses also incorporated forward looking information.

(b) *As at 31 December 2020, the Group had receivable amounted to RMB11,400,000 (equivalent to HK$13,549,000) from the existing hotel operating right holder. The hotel operating right holder has been facing financial difficulties and is unable to make settlement of receivable regardless requests and demands made by the Group. As the settlement of receivable from the hotel operating right holder cannot be ascertained with reasonable certainty, management of the Group considers it appropriate to recognise impairment loss in full on the receivable amounted to HK$13,549,000.*

As at 31 December 2021, the Group had a concentration of credit risk given that the top 2 customers account for 99% (2020: 99%) of the Group's total year end gross trade receivables and allowance for trade receivables amounted to HK$94,904,000 (2020: HK$91,873,000), representing approximately 99% (2020: 99%) of the gross trade receivables was made.

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(ii) OTHER RECEIVABLES

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. For other receivables, management made periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. In calculating the expected credit loss rates, the Group considers historical loss rates for the other receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2021, the internal credit rating of other receivables is performing. The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no loss allowance on other receivables was recognised.

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

(iii) CASH AT BANK AND BANK DEPOSITS

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	2021 HK$'000	2020 HK$'000
Pledged bank deposits		–	1,056
Restricted bank deposits		439,905	255,835
Bank balances		46,646	82,646
Total bank deposits	Baa3–Aa2	486,551	339,537

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Given that significant portion of the bank deposits are placed with banks that are independently rated with high credit rating with no default history in past years, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of financial assets and financial liabilities of the Group's continuing operations as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2021					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Trade receivables	61	–	–	–	61	61
Other receivables	182,048	–	–	–	182,048	182,048
Pledged bank balances	–	–	–	–	–	–
Restricted bank balances	439,905	–	–	–	439,905	439,905
Cash and cash equivalents	46,609	–	–	–	46,609	46,609
	668,623	–	–	–	668,623	668,623

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	2021					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables, other payables and accruals	517,565	–	–	–	517,565	517,565
Amount due to non-controlling interest	2,142	–	–	–	2,142	2,142
Amount due to a director	–	–	–	51,798	51,798	40,747
Promissory note payable	–	–	–	137,922	137,922	107,827
Loans and borrowings	–	–	785,245	1,262,716	2,047,961	1,734,156
Lease liabilities	–	–	542	507	1,049	1,049
	519,707	–	785,787	1,452,943	2,758,437	2,403,486

	2020					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Trade receivables	737	–	–	–	737	737
Other receivables	113,806	–	–	–	113,806	113,806
Pledged bank balances	–	–	–	1,056	1,056	1,056
Restricted bank balances	255,835	–	–	–	255,835	255,835
Cash and cash equivalents	82,839	–	–	–	82,839	82,839
	453,217	–	–	1,056	454,273	454,273

	2020					
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables, other payables and accruals	835,756	–	–	–	835,756	835,756
Amount due to non-controlling interest	64,217	–	–	–	64,217	64,217
Amount due to a director	–	114	3,595	39,680	43,389	35,410
Promissory note payable	–	–	–	137,922	137,922	107,427
Loans and borrowings	–	55,352	423,285	1,613,341	2,091,978	1,787,274
Lease liabilities	–	–	30	–	30	30
	899,973	55,466	426,910	1,790,943	3,173,292	2,830,114

54. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values.

The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(b) Reconciliation of Level 3 fair value measurement

Reconciliation of Level 3 fair value measurement is not presented as the Group had no financial assets or financial liabilities that are measured at fair value at end of the reporting period.

55. 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, raise new debts or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

56. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2021, nor had any dividend been proposed since the end of the reporting period (2020: Nil).

57. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements on pages 43 to 123 were approved and authorised for issue by the board of directors on 21 April 2022.

Schedule of Major Properties

As at 31 December 2021

COMPLETED PROPERTIES HELD FOR SALE

Name/location	Use	GFA for sale (sq.m.) *(ii)*	Ownership interest (%) *(iv)*
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	2,106	55

PROPERTIES HELD FOR SALE UNDER DEVELOPMENT/UNDER DEVELOPMENT

Name/location	Use	Site area (sq.m.)	Expected completion dates *(ii)*	GFA for sale (sq.m.) *(ii)*	Other GFA (sq.m.) *(iii)*	Completed GFA for sale (sq.m.)	Completed Other GFA (sq.m.)	Ownership interest (%) *(iv)*
Morning Star Villa *(i)* Mu He Path Gangkouzhen Zhongshan City Guangdong PRC	Residential/Commercial	151,675	–	–	–	–	–	55
German City Hengqin New District Zhuhai City Guangdong Province PRC	Research/Development	60,340	4th quarter of 2021	49,999	95,177	–	–	70
Fuyuan Junting Ande Zhen Pidu District Chengdu City Shichuan Province PRC	Residential/Commercial	56,707	Phase 1: 4th quarter of 2021; Phase 2: 2023	85,102	35,398	–	–	100
Fuyuan Square Jianfeng Nanzhufeng Da Dao Dong Ce Jingan Zhen Doumen District Zhuhai City Guangdong PRC	Commercial	48,653	2022	61,654	135,737	–	–	100

(i) *the Group has the relevant land use rights certificates, but has not obtained the requisite construction approval from relevant governmental authorities.*

(ii) *"GFA for sale" and "Expected completion dates" are derived from the Group's internal records and estimates.*

(iii) *"Other GFA" mainly comprises areas not held for sale.*

(iv) *"Ownership interest" is based on the Group's effective ownership interest in the respective project companies.*

The following summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out below:

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
REVENUE	**7,774**	22,360	34,466	18,086	30,785
LOSS BEFORE TAX	**(341,102)**	(216,593)	(233,773)	(133,846)	(35,766)
INCOME TAX (EXPENSE)/CREDIT	**(404)**	(162)	12,434	(2,334)	(331)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(341,506)**	(216,755)	(221,339)	(136,180)	(36,097)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from disposed subsidiaries	**–**	–	–	–	16,340
LOSS FOR THE YEAR	**(341,506)**	(216,755)	(221,339)	(136,180)	(19,757)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**(326,264)**	(217,714)	(202,376)	(122,400)	(19,770)
NON-CONTROLLING INTERESTS	**(15,242)**	959	(18,963)	(13,780)	13
	(341,506)	(216,755)	(221,339)	(136,180)	(19,757)

Five-Year Financial Summary

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
NON-CURRENT ASSETS	**1,805,961**	1,851,243	862,032	1,072,671	546,446
CURRENT ASSETS	**2,610,045**	2,159,710	914,024	448,593	318,218
ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	**175,007**	–	–	–	–
CURRENT LIABILITIES	**(3,420,643)**	(2,101,821)	(788,194)	(276,429)	(28,932)
NON-CURRENT LIABILITIES	**(1,243,231)**	(1,701,665)	(593,544)	(619,121)	(118,504)
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	**(50,340)**	–	–	–	–
NET (LIABILITIES)/ASSETS	**(123,201)**	207,467	394,318	625,714	717,228
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**(163,569)**	152,739	342,423	553,723	654,395
NON-CONTROLLING INTERESTS	**40,368**	54,728	51,895	71,991	62,833
TOTAL EQUITY	**(123,201)**	207,467	394,318	625,714	717,228