South China Assets Holdings Limited

南華資產控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 08155

2020

ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director

Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors

Mr. Cheng Hong Kei
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Yeung Chi Hang

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor

COMPANY SECRETARY

Mr. Watt Ka Po James

AUTHORISED REPRESENTATIVES

Ms. Cheung Choi Ngor
Mr. Watt Ka Po James

AUDIT COMMITTEE

Mr. Cheng Hong Kei (*Committee Chairman*)
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Ng Yuk Yeung Paul
Mr. Yeung Chi Hang

REMUNERATION & NOMINATION COMMITTEE

Ms. Pong Scarlett Oi Lan, BBS, J.P. (*Committee Chairman*)
Mr. Cheng Hong Kei
Mr. Yeung Chi Hang

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Chong Hing Bank Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia (China) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

P.O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.,
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

STOCK CODE

08155

WEBSITE OF THE COMPANY

www.scassets.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Assets Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2020 ("the Year").

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Year, the Group recorded revenue of approximately HK$5.6 million, representing a decrease of approximately 70.5% comparing with that of approximately HK$19.0 million in 2019. Such decrease in revenue was mainly due to no revenue from sale of property was recognized during the Year.

There was a profit attributable to the equity holders of the Company for the Year of approximately HK$31.9 million (year ended 31 December 2019: loss of HK$18.9 million) which was mainly due to gains from disposal of certain financial assets.

As at 31 December 2020, the net asset position of the Group amounted to approximately HK$111.6 million (31 December 2019: HK$36.4 million). During the year, the Group recorded gains from disposal of certain financial assets and made certain repayment on the shareholders' loans.

BUSINESS REVIEW

The Group's main businesses are: (i) property development and property project management services in the PRC; (ii) provision of financial services in Hong Kong (subsidiaries of the Company are licensed to carry out types 1, 2, 4, 9 regulated activities under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong, and to provide money lending services under Money Lenders Ordinance, Cap. 163 of the law of Hong Kong); and (iii) the sale of face masks and related products.

The review of the principal business segments of the Group during the Year is as follows:

(a) Property development

During the Year, revenue attributed to the property development business was approximately HK$1.3 million which was derived from the provision of comprehensive management services of a property project in Tianjin. No revenue from sale of property was recognized.

The following table shows the Group's property development projects as at 31 December 2020:

Project	**Location**	**Type**	**Status as of 31 December 2020**	**Total gross floor area** *(Note)*
Phase 2 of Zhongjie Project	Cangzhou Zhongjie Industrial Park District	Residential property	The pre-sale certificate has been obtained in December 2020 and the first complex is expected to be completed by the end of 2021	Approximately 10,000 square meters
Huanghua Project	Huanghua New City	Commercial property	Under-planning	Approximately 100,000 square meters
Xiazhuzhuang Project	Wuqing Xiazhuzhuang Street	Industrial property	Under-planning	Approximately 50,000 square meters

Note: Gross floor area is calculated based on the Group's development plans, which may be subject to change.

(b) Financial services

This segment covers a wide range of financial services including but not limited to investment advisory services, money lending and wealth management. During the Year, the Group had revenue of approximately HK$1.9 million (year ended 31 December 2019: approximately HK$1.7 million) in this segment.

The Group's strategy is to build up a "one-stop financial services center" offering customers a diverse range of financial services. No revenue from rendering investment advisory services was recorded during the Year (year ended 31 December 2019: HK$0.6 million) due to poor market sentiment attributable to COVID-19.

The Group also carries out money lending business covering personal loans, tax loans, small business loans, specialised lending loans and debt consolidation loans. During the Year, the Group had revenue of approximately HK$1.9 million (year ended 31 December 2019: approximately HK$1.1 million) in this business and the gross loan portfolio of the money lending business amounted to HK$13.4 million as at 31 December 2020. The Group on the one hand adopted a more prudent approach under the unstable market sentiment attributable to COVID-19 by tightening its credit approval of new loan and loan refinancing applications, but on the other hand it strengthened its debt collection functions for minimizing credit risk.

The Board considered that the key risk exposures of the Group's businesses under this segment are market risk and credit risk. In addition, the Group did not take trade positions to minimize its exposure to price risk and foreign exchange risk.

(c) Sales of face masks and related products

The Group commenced its business in manufacturing and sales of face masks in the second quarter of 2020. During the Year, revenue from this segment amounted to approximately HK$2.5 million with a segment loss of approximately HK$1.5 million which was mainly due to starting cost including testing and accreditation fees.

INVESTMENT PORTFOLIO

The Group's investment portfolio consists of ordinary shares and redeemable convertible preference shares ("RCPSs") of South China Holdings Company Limited ("SCHC"), which are presented under financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income respectively.

Stock code	**Name of security**	**Carrying value as at 31 December 2020**	**Fair value gain (loss) during the Year**
		HK$'000	*HK$'000*
00413	SCHC		
	— Ordinary shares	46,370	(10,510)
	— RCPSs	71,901	41,139
		118,271	30,629

SIGNIFICANT INVESTMENTS

The Group's investment portfolio consists of Ordinary Shares and Redeemable Convertible Preference Shares ("RCPSs") of SCHC, which are presented under financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income in the consolidated statement of financial position respectively.

Listed below are the particulars of the Group's major significant investments:

As at 31 December 2020

Name of stock listed on Stock Exchange	Stock code	Brief description of the business	Type of shares	Number of shares held as at 31 December 2020	Investment cost as at 31 December 2020 *HK$'000*	Fair value as at 31 December 2020 *HK$'000*	Total assets value of the Group as at 31 December 2020 *HK$'000*	Percentage to total assets value of the Group as at 31 December 2020
South China Holdings Company Limited	413	Trading and manufacturing, property investment and development and agriculture and forestry	Ordinary shares	309,129,996* (represented 2.3% of SCHC issued ordinary shares)	3,516	46,370	335,720	13.8%
			RCPSs	117,350,631 (represented 100% of SCHC issued RCPSs)	93,881	71,901**	335,720	21.4%

During the year ended 31 December 2020, the audited comprehensive income attributable to owners of the Company from the net fair value change recognized for the Group's significant investments as listed above amounted to approximately HK$30.6 million.

As at 31 December 2019

Name of stock listed on Stock Exchange	Stock code	Brief description of the business	Type of shares	Number of shares held as at 31 December 2019	Investment cost as at 31 December 2019 *HK$'000*	Fair value as at 31 December 2019 *HK$'000*	Total assets value of the Group as at 31 December 2019 *HK$'000*	Percentage to total assets value of the Group as at 31 December 2019
South China Holdings Company Limited	413	Trading and manufacturing, property investment and development and agriculture and forestry	Ordinary shares	309,129,996* (represented 2.3% of SCHC issued ordinary shares)	3,516	56,880	415,537	13.7%
			RCPSs	378,813,131 (represented 100% of SCHC issued RCPSs)	303,051	178,074**	415,537	42.9%

During the year ended 31 December 2019, the audited comprehensive income attributable to owners of the Company from the net fair value change recognized for the Group's significant investments as listed above amounted to approximately HK$19.4 million.

* The shares mainly include bonus shares proposed by SCHC on 23 December 2016 and received by the Company on 10 January 2017.

** The fair values of the RCPSs as at 31 December 2019 and 31 December 2020 were determined by the directors of the Company with reference to the valuation report dated 17 March 2020 and 15 March 2021 prepared by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the Year, the Group had no significant exposure to fluctuations in foreign exchange rate or any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no pledge of assets and contingent liabilities.

EMPLOYEES

As at 31 December 2020, the total number of employees of the Group was 81 (2019: 12). Employees' cost (including Directors' emoluments) amounted to HK$5.8 million for the year (2019: HK$5.5 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Employees may also be granted share options and share awards under the share option scheme and the employee's share award scheme adopted by the Company on 8 May 2012 and 18 March 2011 respectively.

PROSPECTS

The Board believes it is the best interest of the Group to continue consolidating its existing financial services, expanding the scope of property development businesses by providing property project management services and diversifying into new businesses such as face mask production which is expected to produce steady income stream.

(a) Property development business

Zhongjie Project

Planning works of phase 2 of the project, which consists of 2 complexes, were commenced in the first quarter of 2020. The construction works of the first complex started in November 2020 subsequent to issuance of construction works commencement permit by the local authority in October 2020, and the main construction works are expected to be completed at about the end of 2021. Pre-sale of the premises of the first complex has been taken place since December 2020.

Huanghua Project

Huanghua New City has been more mature recently in terms of erection of a number of residential complexes and other community facilities, e.g. hospital, apart from the operation of a hi-speed train station in about two years. Huanghua Project has 2 phases. Given the satisfactory economic parameters including demographic condition, the planning works of phases 1 have started since October 2020 and the construction works are expected to be commenced in about the second half of 2021 and to be completed by the end of 2023.

Xiazhuzhuang Project

The project has two development phases which consists of industrial complexes and ancillary offices. The planning work of phase one is expected to be commenced in the second half of 2021.

Property Project Management

The Group has been engaged in providing management services to 2 property development projects in Tianjin and Nanjing.

(b) Financial services business

The Group has identified wealth management services e.g. funds, bonds and insurance, as an additional main business apart from brokerage. The Group has focused its investment in engagement of several teams of relevant and experienced personnel for achieving business targets.

Due to the force majeure event of outbreak of COVID-19, the Group's risk management has been tightened aiming at minimizing key risks through clearly defined terms of business with customers, stringent investment and credit control over transactions with customers, and regular monitoring of cash flow.

(c) Face mask business

In view of the significant surge in demand for face masks due to the pandemic, the Group established a new business line of face mask to meet the demands in Hong Kong and overseas in the second quarter of 2020. The Group is able to produce a maximum of approximately 80,000 units of qualified face masks per day to its clients, which are being sold both online and offline sales points.

As the face mask business remains in the initial stage, the Group keeps its product development and diversification for market penetration and development respectively by means of continuous automation upgrade, strengthened R&D capabilities and stringent cost structure in both raw materials and labour.

Looking forward to 2021, the global market will continue being shadowed by economic, political and public health risks, including the US-Sino trade war and the pandemic that will cast impact on every business sector of the world, which in turn will affect the global economic growth. Despite the foregoing challenges, the Board believes that business opportunities are always available. The Group will be cautious in capital allocation in its businesses and in any other business sector which is expected to bring positive impact on the Group's profitability and cash flow, and in turn would be beneficial to its shareholders.

UPDATE ON THE LISTING STATUS

Reference is made to the announcements of the Company dated 3 April 2020, 15 April 2020, 24 September 2020, 29 September 2020, 27 January 2021 and 29 January 2021.

On 27 January 2021, the Company received a letter from the GEM Listing Review Committee that they had decided to uphold the decision made by the GEM Listing Committee to suspend trading in the Company's shares (the "Shares") under GEM Listing Rule 9.04 on the ground that the Company had failed to comply with GEM Listing Rule 17.26. At the request of the Company, trading in the Shares has been suspended with effect on 28 January 2021 and will continue to be suspended until further notice.

On 28 January 2021, the Company received a letter from the Stock Exchange setting out the resumption guidance for the resumption of trading in the Shares to demonstrate that the Company is in compliance with GEM Listing Rule 17.26.

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. In this regard, we have implemented various environmental policies and guidelines to manage the efficient use of resources in our day to day operations. Going forward, we will strive to continue to enforce new efficiency measures to reduce the consumption of energy and water, and indirectly reduce the emissions of greenhouse gas.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by the management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Group is in compliance with related regulations. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an ethical and committed employer for committed employees. The Group has also adopted share option schemes and share award schemes to recognize and reward the contribution of the employees to the growth and development of the Group.

Customers

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Service vendors

Sound relationships with key service vendors of the Group are important in supply chain, premises management and meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise system and equipment vendors, external consultants which provide professional services, suppliers of office goods/ merchandise and other business partners which provide value-added services to the Group.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to its shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding its shareholders by taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated services.

Ng Hung Sang
Chairman

Hong Kong, 16 March 2021

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 71, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of South China Financial Holdings Limited and South China Holdings Company Limited, both being listed on the Main Board of the Stock Exchange. He holds a Master's degree in Marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 28 January 2002. He is the father of Ms. Ng Yuk Mui Jessica, an Executive Director and the Executive Vice Chairman of the Company, and Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 67, is an Executive Director and a member of the Executive Committee of the Company. She is also an executive director, the vice chairman and co-chief executive officer of South China Holdings Company Limited, and an executive director and a vice chairman of South China Financial Holdings Limited, both being listed on the Main Board of the Stock Exchange. She also holds several directorships in certain subsidiaries of the Group. She holds a Master's degree in Business Administration from University of Illinois in the United States of America. She is a member of 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 7 January 2009. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Richard Howard Gorges, aged 77, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director and a vice chairman of South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange. He also holds several directorships in certain subsidiaries of the Group. He holds a Master's degree in Law from University of Cambridge in the United Kingdom. He was appointed as a Director of the Company on 7 January 2009. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Ng Yuk Mui Jessica, aged 42, is an Executive Director, an Executive Vice Chairman and a member of the Executive Committee of the Company. She is also an executive director, an executive vice chairman and chief executive officer of South China Financial Holdings Limited and a non-executive director of South China Holdings Company Limited and i-Cable Communications Limited, all being listed on the Main Board of the Stock Exchange. She is the executive vice chairman of South China Media Limited. She also holds several directorships in certain subsidiaries of the Group. She holds a Bachelor's degree in Law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of 12th Hebei Provisional Committee of the Chinese People's Political Consultative Conference. She was appointed as Director of the Company on 20 August 2003. She is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the elder sister of Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Ng Yuk Yeung Paul, aged 39, is a Non-executive Director and a member of Audit Committee of the Company. He is also an executive director, an executive vice chairman and co-chief executive officer of South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange. He also holds several directorships in certain subsidiaries of the Group. He graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. He is an associate member of the Chartered Institute of Management Accountants and a member of 13th National Committee of the Chinese People's Political Consultative Conference and is a standing committee member of the 11th and 12th Liaoning Provincial Committee of the Chinese People's Political Consultative Conference. He was the winner of the Young Industrialist Awards of Hong Kong 2017. He has extensive experience in the financial services, property development, OEM toys manufacturing, tourism and media businesses. He was appointed as a Director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the younger brother of Ms. Ng Yuk Mui Jessica, an Executive Director and Executive Vice Chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hong Kei, aged 66, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He studied accountancy in Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). He is a fellow member of the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is a co-founding director of Cheng & Cheng Limited and had worked as an assessor for the Hong Kong Inland Revenue Department for 12 years. He has extensive experience in accounting and taxation. He is currently an independent non-executive director of Great China Properties Holdings Limited and China Apex Group Limited, both being listed on the Main Board of the Stock Exchange and GET Holdings Limited, being listed on GEM of the Stock Exchange. He was appointed as a Director of the Company on 31 March 2017.

Ms. Pong Scarlett Oi Lan, BBS, J.P., aged 61, is an Independent Non-executive Director, the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. She is currently an independent non-executive director of South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange. She is the Chairman of Health Quotient HQ International Institute Limited and the Immediate Past President of The Pharmaceutical Society of Hong Kong. She was an elected District Councilor and currently, CEO, Health Management Division, Shatin Inhabitants Association (a charitable organization). She also actively serves the public sector and is currently the Visiting Associate Professor at Hong Kong Nang Yan College of Higher Education, and a Convenor of Working Group on Collaboration and Promotion under Women's Commission. She is currently an Honorary Patron of Hong Kong Seeing Eye Dog Services. In addition, she is a member of the Building Committee under the Hong Kong Housing Authority, a member of the Steering Committee on Prevention and Control of Non-communicable diseases under the Food and Health Bureau, and a member of the Committee on Promotion of Organ Donation. She was a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the President of The Practising Pharmacists Association of Hong Kong for eight years and the President of the Outstanding Young Persons' Association. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor's degree in pharmaceutical sciences from the University of Saskatchewan in Canada. She holds a Master of Arts from Macquarie University in Australia in 2018. She is being appointed in a number of government boards and committees such as the Council Member of Hong Kong Baptist University, Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008–2009), Chairman of ACAN Sub-committee on Preventive Education and Publicity (2007–2012). She received awards of the Ten Outstanding Young Persons' Selection in 1998, the Hundred Outstanding Women Entrepreneur in China in 2007, was appointed as a Justice of the Peace (J.P.) by the Government of the Hong Kong Special Administrative Region in July 2010 and received an award of Bronze Bauhinia Star in 2017. She also received awards of Pioneers in Healthy Cities, Alliance for Healthy Cities, Western Pacific Region. She was appointed as a Director of the Company on 27 March 2008.

Mr. Yeung Chi Hang, aged 53, is an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is a qualified accountant with a Bachelor's degree in Accountancy from City of London Polytechnic and Executive Master of Business Administration from the Chinese University of Hong Kong. He has extensive experience in audit, finance, PRC tax and project administration. Now he has his own consultancy firm to provide professional advice to clients mainly on project administration and financial and management report system. After graduation, he joined KPMG leading audit engagement of luxury goods retail group, multinational corporation and wholly foreign owned enterprise. He then joined New World China Land as Assistant Project Administration Manager and in charge of joint venture projects in Wuhan, The People's Republic of China (the "PRC") to handle accounting, finance and tax issues, and liaise with joint venture partners and government officials. Subsequently, he worked for manufacturing multinational corporation to oversee Hong Kong and the PRC operations (Finance, Administration, Human Resources and Information Technology) which including setting up of sales team and logistics team in the PRC. Prior to starting his own business, he was in charge of finance and accounting functions for PRC property development projects of two listed companies. He was appointed as a Director of the Company on 6 September 2017.

Directors' Report

The directors of the Company (the "Directors") submit herewith their report and the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) property development and property project management services in the People's Republic of China (the "PRC"); (ii) financial services (subsidiaries of the Company are holding licences for types 1, 2, 4 and 9 regulated activities under Securities and Future Ordinance, and providing money lending services under Money Lenders Ordinance, Chapter 163 of the laws of Hong Kong) in Hong Kong; and (iii) the manufacturing and sale of medical face masks and related products.

There was no significant change in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 11 of this annual report. The discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The board of Directors (the "Board") has overall responsibility for the Group's environmental, social and governance ("ESG") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

In addition, discussion on the Group's environmental policies and performance are contained in the Environmental, Social and Governance Report on pages 47 to 57 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 and the financial position of the Group at that date are set out in the financial statements on pages 65 to 158 of this annual report.

No interim dividend was paid (2019: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders").

Objectives

The Dividend Policy sets out the guidelines for the Board to determine (i) whether dividends are to be declared and paid; and (ii) the amount of dividend to be paid to the Shareholders.

It is the policy of the Company to distribute its net profits by way of dividends to the Shareholders after retaining adequate reserves for future growth as a return to the Shareholders' investment.

Basic Criteria

In deciding to propose a dividend and in determining the dividend amount, the Board shall take into account of the actual and expected financial results of the Group, business performance and strategies, financial and economic factors, capital commitments, liquidity position and any other factors that the Board considers appropriate.

Subject to the conditions and factors set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board considers appropriate.

Payment of dividend by the Company is also subject to any criteria and restrictions under the Cayman Islands laws and the Company's Articles of Association.

Form of Dividend

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

Approval of Dividend

The Board may from time to time determine and pay to the Shareholders such interim dividends as it considers appropriate.

The Board may recommend the payment of final dividends which are required to be approved by the Shareholders in general meetings.

Approval of the Dividend Policy

The Dividend Policy has been reviewed by the audit committee (the "Audit Committee") of the Company and approved by the Board. In the event of any amendment of any provision of the Dividend Policy, it shall be reviewed and commented by the Audit Committee and then all such reviewed and commented amendments shall be submitted to the Board for consideration and approval.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company is scheduled to be held on Tuesday, 22 June 2021 (the "2021 AGM"). For the purpose of determining the Shareholders who are entitled to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Wednesday, 16 June 2021 to Tuesday, 22 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, the non-registered Shareholders must lodge all completed share transfer instruments accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 15 June 2021.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company had no distributable reserves.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 159 of this annual report.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of movements in the ordinary shares, share options and share awards of the Company during the Year are set out in notes 30 to 32 to the consolidated financial statements.

Save as disclosed under the section headed "Share Option Scheme" and "Employees' Share Award Scheme", no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate turnover attributable to the Group's five largest customers and the aggregate purchases from the Group's five largest suppliers accounted for less than 30% of total turnover and purchases respectively.

At no time during the Year have the Directors, their associates or any Shareholder (which, to the knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

DIRECTORS

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

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director:

Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors:

Mr. Cheng Hong Kei
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Yeung Chi Hang

In accordance with Article 116 of the Articles of Association of the Company, Ms. Cheung Choi Ngor, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Save as disclosed, all other remaining Directors continue in office.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange from each of the Independent Non-executive Directors namely, Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang, and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 12 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or its subsidiaries which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The remuneration payable to executive Directors are determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the Non-executive Directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his own remuneration.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in ordinary shares of the Company (the "Shares")

		Number of Shares held				Approximately percentage of total interests to total issued Shares
Name of Directors	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	(*Note (c)*)
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner/ Interest of spouse/ Interest of controlled Corporations	363,393,739	967,923,774	5,925,861,298 (*Note (a)*)	7,257,178,811	64.92%
Mr. Ng Yuk Yeung Paul ("Mr. Paul Ng")	Beneficial owner	2,602,667	–	–	2,602,667	0.02%

(ii) Long positions in underlying shares — share options

Under the share option scheme of the Company, options may be granted to the Directors and employees and to certain eligible participants of the Company as defined in the share option scheme to subscribe for the Shares. The following Directors had personal interests in the following share options granted to them to subscribe for the Shares:

Name of Director	Capacity	Number of underlying Shares	Approximate percentage of total interests to total issued Shares (*Note (c)*)
Ms. Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 (*Note (b)*)	0.50%
Mr. Paul Ng	Beneficial owner	83,840,000 (*Note (b)*)	0.75%

Notes:

(a) 5,925,861,298 Shares held by Mr. Ng through controlled corporations include 1,088,784,847 Shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 Shares held by Earntrade Investments Limited ("Earntrade"), 1,817,140,364 Shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 Shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 Shares held by Ronastar Investments Limited ("Ronastar"), 65,104,000 Shares held by Green Orient Investments Limited ("Green Orient"). Fung Shing, Parkfield and Ronastar were all directly wholly-owned by Mr. Ng. Mr. Ng holds Green Orient indirectly via SCHC. Bannock was a wholly-owned subsidiary of Earntrade which was directly owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. SCHC was owned as to approximately to 61.22% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the 65,104,000 Shares held by Green Orient and the aggregate 2,238,789,644 Shares held by Bannock and Earntrade.

(b) The respective underlying Shares held by Ms. Cheung and Mr. Paul Ng were the share options granted to them on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012. For more details, please refer to note 31 to the consolidated financial statements under the section headed "Share Option Scheme".

(c) As at 31 December 2020, there were 11,178,498,344 Shares in issue.

Apart from the foregoing, none of the Directors or any of their spouses or children under eighteen years of age had interests or short positions in the Shares, underlying Shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company pursuant to the required standard of dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules, at 31 December 2020.

SHARE OPTION SCHEME

The Company adopted a share option scheme in May 2012 ("2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the 2012 Share Option Scheme is unlisted. Further details of the 2012 Share Option Scheme are disclosed in note 31 to the consolidated financial statements.

No new share option was granted under the 2012 Share Option Scheme during the year ended 31 December 2020.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employee's share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group, and as an incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to HK$50 million for the purchase of the Shares and/or shares in SCHC from the market. Such shares shall form part of the capital of the trust set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company' resources for the purpose of purchase of such shares as referred to in the above. Details of the Share Award Scheme are set out in note 32 to the consolidated financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme", at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any rights to subscribe for any equity or debt securities of the Company or any other body corporate nor had exercised any such right.

RETIREMENT SCHEME

The Group operates a defined benefit occupational retirement scheme and a mandatory provident fund scheme. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. Particulars of these retirement schemes are set out in note 3.16 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the transactions during the Year between the Group and connected persons (as defined in the GEM Listing Rules) in which a Director has beneficial interest are set out in the section headed "Connected and Continuing Connected Transactions" of this Directors' Report and note 37 to the consolidated financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

The Company did not enter into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the Year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, so far as is known to the Directors, supervisors and chief executives of the Company, the persons (other than Directors, supervisors or chief executives of the Company) who have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follow:

Long positions in Shares

		Number of Shares held				
Name of Shareholder	**Capacity**	**Beneficial interests**	**Family interests**	**Corporate interests**	**Total Interests**	**Approximately percentage of total interests to total issued Shares** (*Note (c)*)
Earntrade Investments Limited ("Earntrade")	Beneficial owner/ Interest of controlled corporation	1,150,004,797	–	1,088,784,847 (*Note (a)*)	2,238,789,644	20.03%
Fung Shing Group Limited	Beneficial owner	1,817,140,364	–	–	1,817,140,364	16.26%
Parkfield Holdings Limited	Beneficial owner	1,728,362,917	–	–	1,728,362,917	15.46%
Bannock Investment Limited ("Bannock")	Beneficial owner	1,088,784,847 (*Note (a)*)	–	–	1,088,784,847	9.74%
Ms. Ng Lai King Pamela ("Ms. Ng")	Beneficial owner/ Interest of spouse	967,923,774	6,289,255,037 (*Note (b)*)	–	7,257,178,811	64.92%

Notes:

(a) Bannock is a wholly-owned subsidiary of Earntrade. Earntrade was deemed to have interest in the Shares held by Bannock.

(b) Ms. Ng, who held 967,923,774 Shares directly, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to have interest in the 363,393,739 Shares and 5,925,861,298 Shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

(c) As at 31 December 2020, there were 11,178,498,344 Shares in issue.

Save as disclosed above, as at 31 December 2020 and so far as is known to the Directors, supervisors and chief executive of the Company, no other person had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Company, SCHC and South China Financial Holdings Limited ("SCF"), both, being listed on the Stock Exchange, have certain common directors. The principal activities of SCHC and SCF include property investment and development business, provision of investment advisory, asset management services and dealing in securities.

Mr. Ng, Ms. Cheung and Mr. Gorges, all being Executive Directors are also the executive directors of SCHC. Mr. Ng and Ms. Cheung are also the executive director of SCF. Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng"), an Executive Director is also the non-executive director of SCHC and the executive director of SCF. Mr. Paul Ng, a Non-executive Director is also an executive director of SCHC. Ms. Pong Scarlett Oi Lan, BBS, J.P., an Independent Non-executive Director is also an independent non-executive director of SCHC.

Mr. Ng, who is the chairman of the board and controlling shareholder of SCHC, is also chairman of board and substantial shareholder of SCF. Mr. Richard Howard Gorges ("Mr. Gorges") and Ms. Cheung are the substantial shareholders of a controlled corporation of Mr. Ng, which, together with his associates, holds approximately 61.22% interests in SCHC and Mr. Ng holds approximately 29.36% interests in SCF.

Ms. Cheung holds certain shareholding interests in SCHC and SCF. Mr. Gorges holds certain shareholding interests in SCF. Ms. Jessica Ng holds certain shareholding interests in SCHC. Mr. Paul Ng holds certain shareholding interests in SCHC and SCF.

The Group seeks to undertake property development projects in small to medium size as well as the property project management services which are expanded scope of property development and diversify into the financial services businesses while SCHC mainly focuses on the larger scale property investment and development projects.

The Group is in the course of diversifying into the financial services businesses while SCF undertakes a wide range of financial services businesses of sizable scale in operations and with solid client portfolio.

The abovementioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCHC or SCF compete or are likely to compete with each other and, therefore, do not control the board of each of the Company, SCHC and SCF as far as a transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCHC or SCF, and the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of SCHC or SCF. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCHC or SCF is considered to be relatively remote.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with GEM Listing Rule 17.50A(1), the changes to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of GEM Listing Rule 17.50(2) of the GEM Listing Rules during the course of the Directors' terms of office for the period from date of publication of the Company's latest interim report up to the date of this annual report are set out below:

(1) Mr. Cheng Hong Kei cancelled a practicing certificate and resigned as a member of Hong Kong Institute of Certified Public Accountants with effect from 30 March 2020; and

(2) Ms. Pong Scarlett Oi Lan, BBS, J.P. has been appointed as independent non-executive director of South China Holdings Company Limited, a company listed on the Main Board of the Stock Exchange with effect from 15 September 2020.

INDEMNITY OF DIRECTORS

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgment is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as at the date of this report.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 37 to the consolidated financial statements.

CONNECTED TRANSACTION

The following transaction between certain connected persons (as defined in the GEM Listing Rules) and the Company has been entered into and/or are ongoing for which the relevant announcements, if required under Chapter 20 of the GEM Listing Rules, had been made by the Company:

On 21 May 2020, sale and purchase agreement was entered into between South China Industries (China) Limited, an indirect wholly-owned subsidiary of SCHC as vendor and Proper Mark International Limited, an indirect wholly-owned subsidiary of the Company as purchaser in respect of the acquisition of one (1) share of US$1.00 in the share capital of Silver Giant Limited, a company incorporated in the British Virgin Islands, which is a then indirect wholly-owned subsidiary of SCHC, representing 100% of its entire issued share capital at a total consideration of HK$17,500,000. Details of the transaction were disclosed in the circular of the Company dated 26 June 2020.

CONTINUING CONNECTED TRANSACTIONS

During the Year and up to the date of this Annual Report, the Group had the following continuing connected transactions, details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

(1) On 6 October 2020, an engagement agreement was entered into between 天津南華譽基房地產開發有限公司 (Tianjin South China Yuji Real Estate Development Limited)* ("Tianjin Yuji"), an indirect wholly-owned subsidiary of SCHC and 滄州南華房地產開發有限公司 (Cangzhou South China Real Estate Development Limited)* ("Cangzhou Real Estate"), an indirect wholly-owned subsidiary of the Company in respect of the engagement of Cangzhou Real Estate to provide comprehensive management services (including but not limited to design and planning) of a property development project located in Sicundian town（泗村店鎮）of Wuqing district（武清區）in Tianjin, the PRC, having an area of approximately 58,000 sq.m. for residential development, which is close to Beijing, the PRC on behalf of Tianjin Yuji for a term of twenty-four (24) months. Details of the above transaction were disclosed in the circular of the Company dated 16 November 2020; and

(2) On 31 December 2020,

   (i) an engagement agreement (the "Engagement Agreement") was entered into between 南京電機有限公司(Nanjing Electrical Limited*) ("Nanjing Electrical"), an indirect wholly-owned subsidiary of SCHC and Cangzhou Real Estate in respect of the engagement of Cangzhou Real Estate to provide pre-development management services for a property development project located in 雨花西路262號 (262 Rain Flower West Road*) in Nanjing, the PRC, having an area of approximately 9,499.2 sq.m. for commercial, offices and residential development ("the Project") on behalf of Nanjing Electrical for a total fee of RMB12 million (equivalent to approximately HK$14.12 million) for a term of twelve (12) months from the date of the Engagement Agreement, i.e. the date on which all conditions precedent set out in the Engagement Agreement are fulfilled (or such other longer period to be mutually agreed between Nanjing Electrical and Cangzhou Real Estate, but the term shall not be more than eighteen (18) months in total); and

(ii) an engagement agreement was entered into between Nanjing Electrical and Cangzhou Real Estate, in respect of the engagement of Cangzhou Real Estate to provide project development management services (including but not limited to design, planning and construction) for the Project on behalf of Nanjing Electrical for a total fee of RMB50.4 million (equivalent to approximately HK$59.29 million) for a fixed term of thirty-six (36) months from the date of obtaining the land certificate.

Details of the above transactions were disclosed in the circular of the Company dated 3 February 2021.

* Denotes English translation of a Chinese name and is provided for identification purpose only.

As at 31 December 2020, Mr. Ng, the Chairman, Executive Director and controlling shareholder of the Company, through interests in controlled corporations owned approximately 61.22% in SCHC.

The above continuing connected transactions have been reviewed by the Independent Non-executive Directors who have confirmed that the transaction has been entered into:

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

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 20.54 of the GEM Listing Rules.

The Directors confirm that the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules have been complied with by the Company.

COMPANY SECRETARY

Mr. Watt Ka Po James, the company secretary of the Company, is a fellow member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor is the compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2020 have been reviewed by the audit committee of the Company.

CORPORATE GOVERNANCE

The corporate governance principles and practices are set out in the Corporate Governance Report in this annual report.

INDEPENDENT AUDITOR

The consolidated financial statements have been audited by Messrs. BDO Limited which would retire at the forthcoming AGM and being eligible, offers itself for re-appointment. A resolution to re-appoint Messrs. BDO Limited as the Independent Auditor and to authorize the Directors to fix its remuneration will be proposed to the Shareholders for approval at the forthcoming AGM.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 16 March 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders of the Company (the "Shareholders"). Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In addition, the board of directors of the Company (the "Board") has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Company, its subsidiaries or its securities.

Specific enquiries were made to all executive directors (the "Executive Directors"), non-executive directors (the "Non-executive Directors") and independent non-executive directors (the "Independent Non-executive Directors") of the Company (collectively, the "Directors") who confirmed that they had complied with the required standard of dealing and code of conduct regarding Directors' securities transactions during the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2020 except that Ms. Ng Yuk Mui Jessica, an Executive Director and the Vice Executive Chairman of the Company, Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P., and Mr. Yeung Chi Hang, the Independent Non-Executive Directors of the Company were unable to attend the annual general meeting of the Company held on 16 June 2020 as they had other business engagements, which deviated from code provision A.6.7 of the CG Code.

CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the responsibilities of the corporate governance functions to the Audit Committee for compliance with the requirements of the CG Code. Under the terms of reference of the audit committee of the Company (the "Audit Committee"), it is responsible for carrying out at least the following:

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

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

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

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

5. to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

During the year ended 31 December 2020 and up to the date of this annual report, the Audit Committee has reviewed and performed the aforesaid corporate governance functions.

BOARD OF DIRECTORS

The Board is responsible for the overall leadership and control of the Group, and is collectively responsible for promoting the Group's success by directing and supervising its affairs. In addition, the Board should take decisions objectively in the best interests of the Company and its subsidiaries (collectively, the "Group"). Day-to-day management of the business of the Group including implementation of strategies has been delegated to the executive committee of the Company (the "Executive Committee") which comprises all Executive Directors. The Executive Committee reports its work and business decisions to the Board periodically. In addition to the Executive Committee, the Audit Committee and the remuneration and nomination committee (the "Remuneration and Nomination Committee") have been established with their respective specific written terms of reference.

The chairman of the Board (the "Chairman") has encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Group. The Chairman has also encouraged Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect the Board's consensus.

Directors have given sufficient time and attention to the Group's affairs during the year ended 31 December 2020. During the year ended 31 December 2020, Directors have disclosed to the Company four times a year the number, identity and natures of offices held in Hong Kong or overseas listed public companies or organisations or other significant commitments. As at 31 December 2020, none of the Directors held directorship in more than seven public listed companies.

The Company has arranged the Directors appropriate insurance coverage in respect of any legal action against any of them.

During the year under review, the Board was provided with (i) sufficient explanation and information to enable it to make an informed assessment of financial and other information put before it for approval, and (ii) monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail.

Composition of the Board

The composition of the Board during the year ended 31 December 2020 and up to the date of this report is as follows:

Executive Directors
Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Mr. Richard Howard Gorges
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

Non-executive Director
Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors
Mr. Cheng Hong Kei
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Yeung Chi Hang

The biographical details of the Directors and the relevant relationships amongst them, if any, are set out in section headed "Directors' Biographical Details" of this annual report. An updated list of the Directors identifying the Independent Non-executive Directors, and the roles and functions of each Director is also maintained on the respective websites of the Stock Exchange and the Company.

The Board composition is reviewed regularly to ensure that it has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) is maintained to enable the Board to exercise independent judgment effectively.

Chairman and Chief Executive

Mr. Ng Hung Sang served as the Chairman throughout the year, who is responsible for providing leadership and management of the Board apart from taking primary responsibility for ensuring good corporate governance practices and procedures are established. The role of the Chairman is separate from that of the chief executive for achieving a clear division of separate responsibility and a balance of power and authority which in turn avoid concentrating of power in any one individual. Ms. Ng Yuk Mui Jessica, the Executive Vice Chairman, has taken up the role of chief executive, who is responsible for the day-to-day management of the business of the Group.

The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

Board Diversity

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company has adopted a board diversity policy (the "Board Diversity Policy") since August 2013. Under the Board Diversity Policy, a range of diverse perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of candidates for directorship, and all Board appointments are based on meritocracy.

Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the Board Diversity Policy and review the same as appropriate. The Remuneration and Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors to consider.

Board and Board Committee Meetings

The Board meets at least four (4) times a year. At least fourteen (14) days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda for the regular Board meeting. Agenda and Board papers are sent to all Directors at least three (3) days before the date on which each regular Board meeting (or other agreed period).

Directors can attend meetings in person or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles of Association").

The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees have recorded in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting views expressed by the Directors. Draft and final versions of minutes are circulated to the Directors for comments and records respectively within a reasonable time after each Board meeting is held.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

If a matter to be considered by the Board involves conflict of interests of any substantial or controlling shareholder of the Company or a Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors.

The Board ensures that there are sufficient Independent Non-executive Directors (who, and whose close associates, have no material interests in the transaction) participating in discussing and voting on the resolution for the transaction at the Board meeting.

Attendance of the meetings

Four (4) Board meetings, four (4) Audit Committee meetings, one (1) Remuneration and Nomination Committee meeting, one (1) annual general meeting ("AGM") and two (2) extraordinary general meetings ("EGM") were held during the year ended 31 December 2020. The attendance records of all Directors for these meetings are set out below:

	Number of meetings attended/Number of meetings eligible to attend				
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration and Nomination Committee Meeting**	**AGM (1)**	**EGM (2)**
Executive Directors					
Mr. Ng Hung Sang (*Chairman*)	3/4	N/A	N/A	1/1	1/2
Ms. Cheung Choi Ngor	4/4	N/A	N/A	1/1	2/2
Mr. Richard Howard Gorges	4/4	N/A	N/A	1/1	2/2
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)	4/4	N/A	N/A	0/1	1/2
Non-executive Director					
Mr. Ng Yuk Yeung Paul	4/4	3/4	N/A	1/1	1/2
Independent Non-executive Directors					
Mr. Cheng Hong Kei	4/4	3/4	0/1	0/1	2/2
Ms. Pong Scarlett Oi Lan, BBS, J.P.	4/4	4/4	1/1	0/1	1/2
Mr. Yeung Chi Hang	4/4	4/4	1/1	0/1	2/2

Notes:

1. AGM was held on 16 June 2020.

2. EGMs were held on 14 July 2020 and 2 December 2020.

N/A: not applicable

Access to Information

The Directors may seek independent professional advice in appropriate circumstance, at the Company's expense. The Company will, upon request, provide separate independent professional advice to Directors to assist them to discharge their duties to the Company.

The Board or Board committee is supplied with relevant information by the Company's senior management pertaining to matters to be brought before the Board or Board committee for the decision as well as reports relating to the operational and financial performance of the Group before the Board or Board committee meeting. All such information supplied is complete and reliable. In the event that a Director does not rely purely on the information provided voluntarily by the Company's senior management, such Director has the right to separately and independently access to the Company's senior management to make further enquiries where necessary.

Directors are entitled to have access to Board papers and related materials in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. A prompt and full response to a Director's enquiries is given if possible.

Appointments and re-election of Directors

All Non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term of three (3) years, subject to re-election.

Pursuant to the Articles of Association, all newly appointed Directors (including Non-executive Directors) shall hold office only until the next following annual general meeting after his appointment (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board), and shall be eligible for re-election at that meeting.

All Directors, including those appointed for a specific term, are subject to retirement by rotation at least once every three (3) years.

Pursuant to Code Provision A.4.3, any further appointment of an independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by the shareholders of the Company. Notwithstanding that Ms. Pong Scarlett Oi Lan, BBS, J.P. ("Ms. Pong") has served as an Independent Non-executive Director of the Company for more than nine years, (i) the Board has assessed and reviewed her annual confirmation of independence under Rule 5.09 of the GEM Listing Rules and affirmed that Ms. Pong remains independent; (ii) the remuneration and nomination committee of the Company has assessed and is satisfied with the independence of Ms. Pong; and (iii) the Board considers that Ms. Pong remains independent of management and free of any relationship which could materially interfere with the exercise of her independent judgement. Despite the length of service of Ms. Pong, the Company believes that she will continue to make her independent judgements in all related matters for the benefit of the Company and the shareholders as a whole.

Independent Non-executive Directors

During the year ended 31 December 2020, the Board all the time met the requirements of the GEM Listing Rules of having at least three (3) Independent Non-executive Directors, and the number of which representing at least one-third of the Board, with at least one (1) of them possessing appropriate professional qualifications or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. The views of the Independent Non-executive Directors carry weight in the Board's decisions, and their participation helps the Board exercise independent judgment, make decisions and act objectively in the interests of the Company and the Shareholders as a whole.

The Company has received from each Independent Non-executive Director a written annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all Independent Non-executive Directors are independent pursuant to Rule 5.09 of the GEM Listing Rules.

During the year under review, the Chairman met once with the Independent Non-executive Directors without the presence of other Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for establishing and maintaining appropriate and effective risk management and internal control systems. The Board assesses the effectiveness of the risk management and internal control systems through the ongoing reviews performed by the Audit Committee, the Company's senior management, the Company's internal audit department (the "Internal Audit Department") and external auditor. Taking into account the views of the Audit Committee, the Internal Audit Department formulates audit plan periodically and agrees the same with the Audit Committee and then reports its findings and recommendations to the Audit Committee which, in turn, reports to the Board on the effectiveness of the risk management and internal control systems. The audit plan covers the key financial, operational and compliance controls of the major business units on a rotation basis. The scope of and time budgeted for an audit assignment normally depend on the assessed risk level. The Audit Committee meets with the Internal Audit Department and external auditor at least twice a year. During the period under review, the Internal Audit Department reviewed the money lending business in Hong Kong and made a number of recommendations for improvement of control environment.

The risk management and internal control systems aim at safeguarding assets from inappropriate use and ensuring the maintenance of proper accounting records and compliance with the applicable ordinances, rules and regulations. The Board oversees the Company's senior management in the design, implementation and monitoring of the risk management and internal control systems which are designed to provide reasonable but not absolute assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The Internal Audit Department may also conduct ad hoc review in light of the concerns expressed by the Company's senior management or the Audit Committee from time to time, if any.

With the support of the relevant business unit managers, the Board identifies and assesses the key risks, existing or emerging, and formulates strategies and measures to mitigate the relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group. For each key risk identified, the risk register records the risk exposure estimation, current risk mitigation measures and further management actions to better control the risks. The Board has reviewed the Group's risk management and internal control systems for the year ended 31 December 2020. The review included considering risk register and the risk management and internal control evaluations conducted by the Audit Committee, the Company's senior management and the internal and external auditors.

PROCEDURE AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practical when it is the subject of a decision. The procedures and internal controls for handling and dissemination of inside information are as follows:

1. The Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012 and the provisions set forth in the Policy on Disclosure of Inside Information of the Company.

2. The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website.

3. The Group has strictly prohibited the unauthorized use of confidential or inside information.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board should present a balanced, clear and understandable assessment in the annual, interim and quarterly reports of the Company and other financial disclosures required under the GEM Listing Rules, and report to regulators as well as information required to be disclosed pursuant to applicable statutory requirements.

The Board has acknowledged its responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2020. In preparing the financial statements for the year, the Company's senior management provided sufficient explanation and information to the Board for making an informed assessment of financial and other information put before it for approval. In addition, the Board should prepare the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor of the Company about its reporting responsibilities in the financial statements of the Group is set out in the independent Auditor's Report from pages 58 to 64 of this annual report.

AUDITOR'S REMUNERATION

The fees paid/payable to the external auditor of the Company for the year ended 31 December 2020 in respect of the audit services provided to the Company and its subsidiaries amounted to HK$780,000.

AUDIT COMMITTEE

The Board has established an Audit Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Audit Committee currently consists of (i) three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Audit Committee), Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang; and (ii) a Non-executive Director, namely Mr. Ng Yuk Yeung Paul.

The principal roles and functions of the Audit Committee include but are not limited to:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

3. to develop and implement policy on engaging an external auditor to supply non-audit services;

4. to monitor the integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them, and the members of the Audit Committee should liaise with the Board and the Company's senior management and the Audit Committee must meet with the Company's external auditor at least twice a year;

5. to review the Company's financial controls, and unless expressly addressed by the Board itself, to review the Company's risk management and internal control systems;

6. to discuss the risk management and internal control systems with the Company's senior management to ensure that the Company's senior management has performed its duty to have effective systems;

7. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response of the Company's senior management to these findings;

8. to ensure co-ordination between the Internal Audit Department and the external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

9. to review the Group's financial and accounting policies and practices;

10. to review the external auditor's management letter, any material queries raised by the auditor to the Company about accounting records, financial accounts or control systems and the Company's response;

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

12. to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

During the year under review, the Audit Committee met with the Company's senior management and the external auditor twice, where relevant, to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, and performed the following major works:

1. Reviewed whistleblowing policy and system for employees and parties dealing with the Company to raise complaints, in confidence, to the Audit Committee about improprieties or irregularities relating to the Company and/or the Directors, the Company's senior management, employees or advisers.

2. Reviewed the appointment and remuneration of BDO Limited, the external auditor of the Company and its non-audit services provided to the Group.

3. Reviewed the audit plans, scopes, methods and reporting formats proposed by BDO Limited.

4. Reviewed the internal and external audit reports, and the response of the Company's senior management to the reported findings.

5. Reviewed the quarterly, interim and annual financial statements, reports, and results announcements of the Group for the year under review prior to publication.

6. Reviewed the internal audit reports on risk management and internal control system.

7. Considered the dividend policy of the Company and recommended the same to the Board for adoption.

8. Reviewed the Company's policies and practices on corporate governance.

9. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

There were two private sessions between the Audit Committee and the external auditor without the presence of management in the Audit Committee meetings held in 2020.

REMUNERATION AND NOMINATION COMMITTEE

The Board has established the Remuneration and Nomination Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Remuneration and Nomination Committee currently consists of three (3) Independent Non-executive Directors, namely Ms. Pong Scarlett Oi Lan, BBS, J.P. (chairman of the Remuneration and Nomination Committee), Mr. Cheng Hong Kei and Mr. Yeung Chi Hang.

The principal roles and functions of the Remuneration and Nomination Committee include but are not limited to:

Remuneration function

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and the Company's senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the Company senior management's remuneration proposals with reference to the Board's corporate goals and objective;

3. to make recommendations to the Board on the remuneration packages of individual Executive Director and the Company's senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of Non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and otherwise fair and not excessive;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

8. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Nomination function

9. to review the structure, size and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

10. 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;

11. to assess the independence of the Independent Non-executive Directors;

12. 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; and

13. to monitor the implementation of the Board Diversity Policy, review the Board Diversity Policy, as appropriate and make relevant recommendations to the Board for consideration and approval.

During the year under review, the Remuneration and Nomination Committee had performed the following major works:

1. Made recommendations to the Board on the remuneration packages of individual Executive Directors.

2. Reviewed the remuneration of Non-executive Directors (including Independent Non-executive Directors).

3. Reviewed the Group's remuneration policy.

4. Reviewed the structure, size and diversity of the Board.

5. Reviewed the confirmation of independence by the Independent Non-executive Directors.

6. Reviewed the re-election of the retiring Directors at the AGM held on 16 June 2020.

7. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

The Remuneration and Nomination Committee reviews the remuneration package annually, taking into consideration of market practice, competitive market position and individual performance.

The Remuneration and Nomination Committee has adopted the model described in code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of Executive Directors and the Company's senior management.

The remuneration of each of the Non-executive Directors and Independent Non-executive Directors is determined by the Board under the recommendation of the Remuneration and Nomination Committee by reference to such Director's duties and responsibilities in the Group, time involvement and the prevailing market conditions.

NOMINATION POLICY

Objectives

The nomination policy (the "Nomination Policy") aims to provide the key selection criteria and principles for the Remuneration and Nomination Committee to identify and evaluate a candidate for recommendation to the Board for selection and appointment of a director of the Company, whether as an additional director or for replacement or otherwise.

Selection Criteria

The Remuneration and Nomination Committee shall consider a number of the factors in assessing the suitability of a proposed candidate to the Board, including but not limited to the following:

1. reputation for integrity;

2. balance of skill, experience, expertise and personal qualities that will be the best complement of the relevant business sectors of the Company and the overall effectiveness of the Board;

3. capability to devote adequate time for participation in meetings of the Board and all committees as delegated by the Board and attention to the Company's businesses, and commitment to the role;

4. diversity in all aspects, including but not limited to gender, age, cultural, educational and professional background, skills, knowledge and experience;

5. compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive director; and

6. any other relevant factors as may be determined by the Remuneration and Nomination Committee or the Board from time to time.

Nomination Procedures

1. If the Board determines that an additional or replacement director is required, the Board will notify the Remuneration and Nomination Committee the criteria and deploy various channels (including but not limited to referral from the current directors and shareholders) to source directorship candidates.

2. The Remuneration and Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company for election to the Board and the appointment or re-appointment of Directors and succession plan for Directors are subject to the final approval of the Board.

3. On making recommendation, the Remuneration and Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. The proposal must clearly indicate the nominating intention; and the candidate's consent to be nominated and biographical details that are required to be disclosed under the GEM Listing Rules, including the information and/or confirmation required under Rule 17.50(2) of the GEM Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

4. The Board shall observe its Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board might consider relevant and applicable from time to time towards achieving diversity of the Board.

5. Any eligible shareholder of the Company who desires to nominate a person to stand for election as a Director at a general meeting must lodge a written nomination of the candidate together with such person's consent to be nominated and biographical details to the attention of the Board within the lodgment period as more particularly set out in the circular to the shareholders of the Company.

6. Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if considered appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the GEM Listing Rules.

Monitoring and Review and Amendment of the Nomination Policy

1. The Remuneration and Nomination Committee will from time to time review the Nomination Policy and monitor its implementation to ensure its effectiveness and compliance with regulatory requirements and good corporate governance practice.

2. The Nomination Policy has been approved by the Board. Any subsequent amendment of the Nomination Policy shall be reviewed by the Remuneration and Nomination Committee and approved by the Board.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director should receive a formal, comprehensive and tailored induction on appointment for ensuring that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a Director under applicable statute and common law, the GEM Listing Rules, legal and other regulatory requirements as well as the Company's business and governance policies.

All Directors are provided with regular updates on the performance and financial position of the Group to enable the Board as a whole and each Director to discharge their duties. In addition, updates on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements are provided to each Director to ensure compliance and enhance his awareness of good corporate governance practices.

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills for ensuring that their contribution to the Board remains informed and relevant. According to the training records maintained by the Company, the types of training received by the Directors during the year ended 31 December 2020 are summarized as follows:

	Types of Training	
Name of Directors	**Attending seminars/ E-training/ conferences and/ or similar events**	**Reading materials and updates**
Executive Directors		
Mr. Ng Hung Sang (*Chairman*)	✓	✓
Ms. Cheung Choi Ngor	✓	✓
Mr. Richard Howard Gorges	✓	✓
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)	✓	✓
Non-executive Director		
Mr. Ng Yuk Yeung Paul	✓	✓
Independent Non-executive Directors		
Mr. Cheng Hong Kei	✓	✓
Ms. Pong Scarlett Oi Lan, BBS, J.P.	✓	✓
Mr. Yeung Chi Hang	✓	✓

COMPANY SECRETARY

Mr. Watt Ka Po James ("Mr. Watt") has been appointed as the company secretary of the Company (the "Company Secretary") pursuant to Rule 5.14 of the GEM Listing Rules.

The Board has acknowledged that a company secretary plays a key role in advising the Company on corporate governance and other regulatory compliance matters. For discharging the aforesaid matters effectively and professionally, the Company Secretary must keep up-to-date with regulatory and legal developments relevant to the Company by means of continuous training and professional development. In addition, the Company Secretary has been regarded as a crucial conduit of communications between the Board and the senior management; the Company and the Shareholders; and the Company and the regulators.

Mr. Watt has complied with Rule 5.15 of the GEM Listing Rules by taking no less than 15 hours of relevant professional training during the year under review.

COMMUNICATION WITH SHAREHOLDERS

The Company uses general meeting, annual report, interim report, quarterly report, announcement, circular and its website as communication tools to keep the Shareholders informed of the matters of significance and latest development of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the branch share registrar of the Company, in case of enquiries about shareholdings.

Annual general meeting is one of the channels on which the Directors meet with the Shareholders whose views can be addressed to the Board directly. At the annual general meeting, a separate resolution will be proposed by the chairman in respect of each substantially separate issue, and voting on each resolution will be conducted by poll. The chairman of the annual general meeting ensures that an explanation is provided of the detailed procedures for conducting voting by poll and answers any questions from the Shareholders. The notice of annual general meeting is distributed to the Shareholders at least 20 clear business days prior to the annual general meeting. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the GEM Listing Rules. Voting results are posted on the websites of the Stock Exchange and the Company respectively on the day of the annual general meeting.

Executive Directors, members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor will be available to attend the annual general meeting to answer questions from the Shareholders and to gain and develop a balanced understanding of the views of the Shareholders.

The Company has adopted a dividend policy, details of which are disclosed in the section headed "Dividend Policy" in the Directors' Report of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

Extraordinary general meeting should be convened upon the requisition of any two or more the Shareholders holding, at the date of deposit of the requisition, an aggregate of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The extraordinary general meeting shall be held within three (3) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board should be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to send enquiries to the Board

The Shareholders may send their enquiries, in written form, to the Board by addressing them to the Company Secretary at the Company's principal place of business in Hong Kong at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

Procedures for putting forward proposals at a shareholders' meeting

There is no provision allowing the Shareholders to make proposals or move resolutions at the annual general meeting under the Articles of Association or the laws of the Cayman Islands. The Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting in accordance with the "Procedures for Shareholders to Convene an Extraordinary General Meeting" set out above.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2020, there was no change in the Company's constitutional documents. The Articles of Associations of the Company are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors of the Company. The website of the Company contains the latest data and information of the Group so that the Shareholders, the investors and the public can get the information about the Company in a timely manner. The Company's website address is www.scassets.com.

Environmental, Social and Governance Report

The Group hereby presents this Environmental, Social and Governance ("ESG") report for the year ended 31 December 2020 in accordance with requirements set out in Appendix 20 (Environmental, Social and Governance Reporting Guide) ("ESG Guide") of the GEM Listing Rules.

During the year under review, the Group continued to focus on four (4) key areas – (1) Environment; (2) Employment and Labour Practices; (3) Operation Practices; and (4) Community Investment, and to strive to balance the impacts of environmental protection and social responsibility in the Group's strategic plans for the purpose of driving sustainable value for the Group's stakeholders and the communities in which the operations of the Group are located. There were no significant changes in the Group's businesses, operation location and share capital structure during the year under review. This ESG Report was approved by the board of directors of the Company (the "Board").

Risk management is crucial for maintaining the Group's stable daily operation and quick response to the changing environment. With the support of the relevant business unit managers, the Board identifies and assesses the key risks, and formulates strategies and measures to mitigate such relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group, including those relating to ESG, which will be reviewed by the Board or any committee delegated by the Board as part of the risk management and internal control process.

The material aspects under the four (4) key areas – 1. Environment; 2. Employment and Labour Practices; 3. Operation Practices; and 4. Community Investment are set out as follows:

1. ENVIRONMENT

1.1 Emission:

Environmental protection plays a crucial role for a corporation's sustainability. It is the strategy of the Group to keep reducing the environmental impact from its operations, and to promote environmental protection within the Group, its marketplace and the communities in which the Group's operations are located. Notwithstanding the nature of business of the Group does not consume much energy and cause severe air and water pollution, the Group keeps minimizing the environmental impacts from its operations by means of:

(a) Control of emission of greenhouse gases ("GHG")

The Group has encouraged staff to (a) use environmentally-friendly public transportation, e.g. MTR for local travelling; (b) use video/audio conferences for business meetings for reducing the frequency of business travel by air so as to reduce direct and indirect emissions of GHG; and (c) use electronic messages, especially internal communications, for the purpose of reduction of paper consumption which in turn will be helpful for reduction of indirect emission of GHG.

Paper consumption is another main source of indirect GHG emissions. The Group has continuously implemented such guides as "Energy Efficiency of Lightings, Air Conditioning and Office Machines Services Guide" and "Recycle Paper and Toner Cartridge Services Guide" to manage the efficient use of resources in the Group's daily operations. In addition, the Group has implemented administrative measure to reduce paper consumption, e.g. e-leave system (application and approval of leave), e-pay slip (salary payment notification), e-internal communications, e-reports, printing on duplex mode, paperless storage and regular waster paper collection for recycling etc. In addition, the Group has encouraged its customers to use e-statements. For giving greater efforts in reduction of GHG emissions, the Group has arranged an independent recycling paper collector to collect used papers from the offices of the Group at regular intervals.

Emission summary:

Indicators	**2020**	2019
Total GHG emissions (tonnes)	**20.59**	19.35
Direct emissions (tonnes)[1]:	**0**	0
Indirect emissions (tonnes):		
— Electricity	**19.20**	18.86
— Business travel[2]	**1.72**	0.24
— Paper consumption	**0.40**	0.40
GHG emissions avoided by recycling of used papers (tonnes)	**0.73**	0.09

1 No company vehicle so no direct emission of GHG.
2 It is based on the International Civil Aviation Organization Carbon Emissions Calculator.

(b) Control of production of hazardous and non-hazardous wastes:

In view of the nature of the Group's operations, it did not generate any hazardous wastes. Areas are designated in the offices of the Group for disposal of electronic equipment. The Group will arrange an independent third party collector to collect all scrapped electronic equipment for proper treatment. The Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge. The Group had only about 7 employees during the year under review, water consumption volume was only about 0 m^3.

Waste summary:

Indicators	2020	2019	Note
Electronic equipment (pieces)	0	0	#

Note:

No electronic equipment was disposed of during the period under review

1.2 Use of Resources:

(a) Fuel (unleaded petrol) consumption and electricity consumption is respectively the main source of direct and indirect energy consumption. Both fuel and electricity consumptions are the main sources of GHG emissions. The Group issued an e-notice of "Save Our World and Build our Green Office" to all employees for promoting awareness of saving of water, energy and paper at work. In addition, an office of the Group has been using LED energy saving light tubes during the year under review. The results achieved by such improvements are reflected in the energy consumption summary below:

Energy consumption summary:

Indicators	2020	2019
Total energy consumption (KWh)	23,700	29,872
Direct energy consumption (unleaded petrol) (KWh)[1]:	0	0
Indirect emissions (electricity) (KWh):	23,700	29,872
Expenses on energy consumption (HK$'000):	26.54	15.94

1 No company vehicle so no consumption of unleaded petrol.

(b) The Group is committed to conserving clean water. "Save Water" labels are placed in such water consumption areas as pantries and lavatories to remind employees not to waste water. As mentioned above, the Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge.

(c) During the year under review, the Company formed a joint venture in which the Company holds 60% equity interest in the joint venture which directly or indirectly carries out production and sales of medical face masks and related products. The joint venture used approximately 0.1 tonne package material for finished products during the Year.

1.3 Environmental and Natural Resources:

Environmental protection is a continuous process, including management of energy and water consumption, and waste production. During the year under review, such environmental protection measures as using energy saving fluorescent tubes and LED light tubes in office areas; and a notice of "Environmental Initiative and Cost Saving" to all staff to keep office area temperature at 25°C was issued, which would be monitored and reviewed regularly pursuant to the environmental and legal requirements.

In 2020, the Company certified as "Hong Kong Green Organization" from the Environmental Campaign Committee, the Environmental Protection Department.

2. EMPLOYMENT AND LABOUR PRACTICES

2.1 Employment:

"People Oriented" is the Group's persistent notion. In conformity with the principle of harmonious sustainable development, the Group continuously invests its available resources in providing a supportive, comfortable and healthy workplace for employees, and in fostering a caring community in the working environment.

The Group recognizes that attracting competent talents is important for its sustainable growth, so it is committed to providing fair and competitive remuneration package in form of salary and fringe benefits, e.g. personal and life insurance, paid leave and education sponsorship etc. apart from those mandatory employment-related benefits. It is the policy that salary of employees will be reviewed on an annual basis in December, and the eligible employees will be subject to performance appraisal evaluation to be carried out by the respective department heads and then endorsed by such employees, and all such evaluations are subject to the final approval by the relevant executive director or to whom that the director delegates. The Group Human Resources Department will provide a guideline of salary range of each category in light of the current market rate to each department head for reference for ensuring that the salary for each category of the Group remains competitive. In addition, the Group is committed to compliance with the code provisions set out in Appendix 15 of the GEM Listing Rules, regarding of remuneration of directors and senior management.

In order to provide a framework and guidance for ensuring (a) fairness in recruitment; (b) maximization of diversity of applicants; and (c) high caliber candidates are attracted and selected by taking into account of equal opportunities, anti-discrimination, non-harassment and prohibition of child and forced labour, such policies as "Recruitment Policy", "Equal Opportunities and Anti-Discrimination Policy" and "Code of Conduct" have been in force.

For (a) providing basic understanding of the Group's background, organization structures and business objectives; (b) safeguarding the agreed employment terms and conditions, e.g. working hours, probation period, rest periods, termination of employment, other fringe benefits; and (c) adherence to the relevant policies, systems and procedures etc., an orientation training will be provided for all newcomers by the Group Human Resources Department, and the Staff Handbook and the aforesaid policies are available in the Group's intranet folder (paperless for upholding of environmental protection) for reference at any time by the employees.

The Group explicitly opposes any discrimination on the grounds of age, gender, marital status, pregnancy, family status, race, nationality, religion and disability, and from time to time observes the provisions of such relevant laws as Employment Ordinance, Cap. 57, Employees' Compensation Ordinance, Cap. 282, Sex Discrimination Ordinance, Cap. 480, Disability Discrimination Ordinance, Cap. 487 and Race Discrimination Ordinance, Cap. 602 in Hong Kong.

The Group had 7 employees as at 31 December 2020. Indicators of employment type of each gender, employees' age group of each gender, geographical region of employment of each gender and turnover rate of each gender during the years of 2020 and 2019 are as follows:

(a) Employment type and gender:

Number of employees:	**2020**		2019	
	Male	**Female**	Male	Female
Management and Department Head	**4**	**0**	2	0
Managerial	**20**	**6**	1	1
Supervisory	**12**	**19**	1	0
General Staff	**1**	**19**	4	2

(b) Employees' age group and gender:

Number of employees:	**2020**		2019	
	Male	**Female**	Male	Female
18–below 30	**1**	**20**	0	0
30–below 50	**29**	**23**	5	2
50 and over	**7**	**1**	3	1

(c) Geographical region and gender:

Number of employees:	**2020**		2019	
	Male	**Female**	Male	Female
Hong Kong	**9**	**5**	5	0
PRC	**28**	**39**	3	3

(d) Turnover rate:

2020: The average turnover rate for the year of 2020 was about 9.26%

2019: The average turnover rate for the year of 2019 was about 5.75%

2.2 Health and Safety:

The Group is committed to providing employees a safety and healthy working environment by reference to such occupational safety and health publications issued by Occupational Safety and Health Council as Office Lighting, Design of Office Station, Office Stretching Exercises, Work Stress, Work Postures, Correct Use of Display Screen Equipment and OSH Guides for Computer Workstation.

All office premises of the Group are well-equipped with typical safety facilities, e.g. first-aid boxes, fire exits, fire extinguishers, fire detectors and sprinklers and emergency lights. In addition, employees are encouraged to participate to annual fire drill for emergency evacuation organized by the building management.

The Group Human Resources Department oversees the occupational health and safety matters. All occupational health and safety-related accidents must be reported to the Group Human Resources Department which will report all serious injuries and occupational diseases to the Board or any committee delegated by the Board as and when necessary. Staff has been notified that any potential or suspected occupational health and safety-related issues may be notified to the Group Human Resources Department by means of email to the designated email address. The Group Human Resources Department will carry out investigation and remedial actions as and when necessary.

During the year under review, the Group did not have any work-related fatalities. Number of reportable injuries, reportable occupational diseases and lost days due to work-related injury and occupational diseases are as follows:

Number of cases and lost days:	**2020**	2019
Number of reportable injuries[1]	**0**	0
Number of reportable occupational diseases[2]	**0**	0
Number of lost days due to reportable injuries	**0**	0
Number of lost days due to reportable occupational diseases	**0**	0

1 Any work-related injury resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong.

2 Any occupational disease resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance.

Due to the impact of the outbreak of novel coronavirus in Hong Kong, the Company launched a business continuity plan, under which about 50% employees were arranged to work from home on alternate basis for the purpose of reducing the risk of infection amongst employees. For enhancing the sanitary of working environment for employees, the following measures are continuing in force until the coronavirus situation tapers off:

(i) Public areas and common areas of office are clean and disinfected in a frequent manner during office hours;

(ii) Employees are required to have a 14-day quarantine period by working from home if any infection happens in the same building of their respective residence;

(iii) Hand sanitizers are provided at the office entrances for all employees;

(iv) Employees are required to have a quarantine period upon return to Hong Kong from overseas countries; and

(v) Employees are all required to put on face masks in office, and face masks will be provided upon request.

2.3 Development and Training:

For sustainable development of the Group and its employees, Employees Training and Development Policy continued in force during the year under review.

For compliance with the continuous professional training ("CPT") requirements for both corporations and persons carrying on regulated activities set out by the Securities and Futures Commission ("SFC"), the Group is committed to evaluate its training programs annually and to make commensurate adjustments, if necessary, to cater for the training needs of the relevant employees. However, due to the COVID-19 pandemic, the SFC has special arrangement to allow all licensed individuals who are unable to fulfill the annual CPT hours by 31 December 2020 to carry forward any unfulfilled CPT hours for the calendar year of 2020 to 2021.

For compliance with Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615 and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing ("AML Guideline") issued by the SFC, the Group provided appropriate Anti-Money Laundering and Counter-Terrorists Financing training to the relevant employees, including but not limited to introduction to the background to money laundering and terrorist financing ("AML/CTF") and the importance placed on AML/CTF by the Group to all new staff during the year under review.

Performance appraisal evaluation is an interactive exercise between an employee and his/her department head, which involves appraising an employee's past performance and identifying the employee's areas for improvement and enhancement for fulfillment of the agreed objectives. The Group encourages and supports employees to improve and enhance their knowledge and skills that are attributable to achievement of the agreed objectives by granting study and examination leave.

Number of employees trained by employment type and gender during the years of 2020 and 2019 are as follows:

Number of employees:	**2020**		2019	
	Male	**Female**	Male	Female
Management and Department Head	**1**	**0**	4	1
Managerial	**3**	**1**	0	1
Supervisory	**3**	**0**	1	0
General Staff	**0**	**0**	1	0

Average training hours completed per employee by employment type and gender during the years of 2020 and 2019 are as follows:

Number of training hours per employee:	**2020**		2019	
	Male	**Female**	Male	Female
Management and Department Head	**3.5**	**0**	3.5	1
Managerial	**2.5**	**2.5**	0	0.5
Supervisory	**0.8**	**0**	6.75	0
General Staff	**0**	**0**	0.4	0

2.4 Labour Standards:

The Group strictly complies with the Employment Ordinance in respect of employment in Hong Kong. As per the Recruitment Policy, employment of child and forced labour is strictly prohibited. In addition, all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. It is the policy that all employees are aged 18 and above. It is a standard procedure in screening stag that all interviewees are required to present their identity cards for inspection for ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18. In the event that any irregularities in ages, identities and/or validities of employment status is subsequently found, employment with all such concerned candidates will be immediately terminated, and the Group will report such incident to the relevant authorities as soon as possible.

No child labour was hired or subsequently found in both 2020 and 2019.

3. OPERATION PRACTICES

3.1 Supply Chain Management:

Behind our continuous development and smooth business operation is the stability in the supply of materials. Our major suppliers comprise property contractors and raw material suppliers. We strictly control the selection of suppliers for material procurement and service outsourcing, lay down explicit provisions on the selection of suppliers, the procurement process, material management and quality inspection through a supply chain process management system to ensure only suppliers that are able to provide qualified services and products and adhere to the relevant environmental and safety protections standards are selected.

3.2 Product Responsibility:

The Group is committed to maintain quality of its regulated activities by compliance with such prevailing guidelines and codes issued by the SFC as "Code of Conduct for Persons Licensed by or Registered with the SFC", "Corporate Finance Adviser Code of Conduct", AML Guidelines, "Fit and Proper Guidelines", "Guidelines on Competence", "Licensing Handbook" and "Guidelines on Continuous Professional Training".

To safeguard and maintain the Group's quality of services in provision of regulated activities, the Group's Compliance Department is responsible for handling all complaints (all other non-regulated service complaints, especially corruption or malpractice in nature, are handled by the Group's Internal Audit Department as more detailed set forth in paragraph 3.3 hereinbelow). Complainants may raise their complaints by means of email, facsimile, letter and telephone. The Group's Compliance Department is responsible for collection of all basic information of the complainant, including names and contact details, and the matter of complaint, and then notify the relevant department head on a strict confidential basis for investigation after basic review and evaluation. The outcome of evaluation (if no investigation is required) or of investigation will notify the complainant on a strict confidential basis.

Engagement of regulated activities is not subject to any recall for safety and health reasons, and the Group has not received any complaint about its regulated activities during the year under review.

The Group respects privacy rights of its stakeholders, and a privacy policy statement is published on its website (www.scassets.com). All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance, Cap. 486. Personal Information Collection Statement (PICS) will be provided for all candidates pertaining to employment, which sets out the purposes of personal data collection, disclosure, retention and storage. In addition, the Group is obliged to safeguard the personal data of its stakeholders and to use such data for specific purpose, e.g. verifying identity and checking creditability for provision of goods and services.

3.3 Anti-corruption:

The Group is committed to conducting its business activities legally and ethically, and zero-tolerance on any form of corruption or malpractice, such as bribery, money laundering, extortion or fraud. Anti-bribery Policy, Anti-Fraud Policy, Compliance Manual and AML Manual, are the main tools for safeguarding against corruption and malpractice. In addition, Code of Conduct stipulates no bribes, kickbacks or advantages solicited from or given to any person for any purposes, the way of handling gifts and other benefits valued at more than HK$500, and no violation of any applicable laws and ethical standards. The Internal Audit Department is responsible for reviewing and auditing the business activities.

During the year under review, there were no confirmed incidents in relation to corruption.

In addition, the Group encourages its stakeholders to report its employees' misconduct by reference to its Whistleblowing Policy and Procedures which are set out on the corporate website (www.scassets.com). Any complainant may raise his/her complaints against inappropriate and unlawful behavior or malpractice of any Group's employees (including its contractors and consultants) on confidential base, directly to the Group Internal Audit Department, without the fear of incrimination. The Group Internal Audit Department will review and evaluate the complaints, and then determine the mode of investigation. If the alleged misconduct, malpractice or irregularity is confirmed, a report prepared by the Group Internal Audit Department will then be circulated to the relevant department head and the Group Human Resources Department for the purpose of consideration and determination of any remedial and disciplinary actions to be taken. A summary of complaints received, results of such complaints and the actions taken will be made available to the Board on an annual basis.

4. COMMUNITY INVESTMENT

As a responsible corporate citizen, the Group uses its expertise and resources to support the communities in which it operates in such manner as helping people in need and organizing charitable events and donating funds raised by such events to local charities etc.

During the year under review, the Group (i) supported a number of charitable organizations including but not limited to YWCA; and (ii) "Food Distribution" for providing food to the disadvantaged who were in need of food aid. In addition, the Group encourages staff to participate organ donation organized by Department for Health.

The Group is a supporter for developing a healthy and green community, so it will not only continuously dedicate its efforts to protect the environment by controlling emissions of GHG, consumption of energy and water and waste production etc. but also participates in different events to contribute positivity to the communities in which it operates.

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港
干諾道中111號
永安中心25樓

TO THE MEMBERS OF SOUTH CHINA ASSETS HOLDINGS LIMITED
南華資產控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of South China Assets Holdings Limited (the "Company") and its subsidiaries (herein referred to as the "Group") set out on pages 65 to 158, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Assessment of net realisable value of properties under development

Refer to notes 3.15, 4(a)(III) and 21 to the consolidated financial statements.

The carrying value of the Group's properties under development was approximately HK$145,127,000. The balance of properties under development is based on the lower of cost and net realisable value. The determination of the estimated net realisable value is mainly dependent upon the Group's estimation of future market developments, future selling prices and construction costs to complete the projects.

OUR RESPONSE:

Our procedures in relation to the management's assessment of the net realisable value of properties under development included:

- Reviewing the calculations of the properties under development's net realisable value and assessing the reasonableness and consistency of the assumptions used by management;

- Verifying management's assumptions around the possibilities for future property development are consistent with underlying documents which include the plans and decisions of government bodies; and

- Testing the reasonableness of the management's assumptions concerning the estimated future cost and cash inflows of the properties under development based on underlying documents.

Assessment of fair value of redeemable convertible preference shares ("RCPSs")

Refer to notes 3.13, 4(b), 18 and 39 to the consolidated financial statements.

As at 31 December 2020, the carrying amount of the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$103,762,000, of which the carrying amount of RCPSs issued by a related company amounted to approximately HK$71,901,000.

The RCPSs in its entirety (including the embedded redemption option) were measured at fair value which were assessed by the management based on valuations performed by an independent valuer engaged by the Group.

We identified the valuation of RCPSs as a key audit matter as it requires management to exercise significant judgment and estimation, and was assessed by us to be a significant risk of material misstatement.

KEY AUDIT MATTERS *(Continued)*

Assessment of fair value of redeemable convertible preference shares ("RCPSs") *(Continued)*

OUR RESPONSE:

Our procedures in relation to management's fair value assessment of RCPSs included:

- Assessing the appropriateness of valuation methodology of fair value calculation on the RCPSs provided by the Group's independent professional valuer;
- Evaluating the relevance of the key assumptions used in the valuation;
- Reconciling the input data of the valuation provided by the Group's independent professional valuer to its supporting evidence; and
- Assessing the competence, capabilities and objectivity of the independent professional valuer appointed by the Group.

Preparation of the consolidated financial statements on a going concern basis

The consolidated financial statements have been prepared on a going concern basis. The Group has net current liabilities (excluding properties under development) as at 31 December 2020 of approximately of HK$42,725,000.

To consider the appropriateness of the going concern basis in preparing the consolidated financial statements, the Group's management has prepared a cash flow forecast of the Group covering over 12 months from 1 January 2021, and concluded that there will be sufficient funds from the Group's existing cash and fund resources, and cash flows to be generated from its operations to finance its future operations to maintain the Group as a going concern in the year ending 31 December 2021. Also the controlling shareholder (the "Shareholder") has undertaken not to demand immediate repayment of the unpaid interest on the shareholder's loans, which have accumulated to approximately HK$61,380,000 as at 31 December 2020, unless the Group has sufficient funds to pay its other creditors in full.

The preparation of the cash flow forecast involved key assumptions such as revenue growth, gross profit margin, planned capital expenditures, and availability of internal and external fund facilities to the Group.

We focused on this going concern assessment as it involves consideration of future events and application of significant judgements and estimates and accordingly, this was an area of audit focus.

KEY AUDIT MATTERS *(Continued)*

Preparation of the consolidated financial statements on a going concern basis *(Continued)*

OUR RESPONSE:

In assessing the appropriateness of the going concern assumption used in preparing the consolidated financial statements, our procedures included, amongst others:

- Assessing the cash flow resources and requirements of the Group over 12 months from 1 January 2021 based on budgets, forecasts and planned expenditure prepared by the Group's management by challenging the reasonableness of the underlying assumptions;

- Understanding the undertaking from the Shareholder in respect of repayment terms of principal and interest for the available existing loans;

- Considering the liquidity of assets on the statement of financial position and understanding any forecast committed expenditure; and

- Evaluating the adequacy of the relevant disclosures made in the consolidated financial statements.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Cheung Wing Yin
Practising Certificate Number P06946

Hong Kong, 16 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**5,637**	19,022
Cost of sales and service		**(2,616)**	(16,316)
Gross profit		**3,021**	2,706
Other operating income and gains, net	6	**375**	5,730
Selling and distribution expenses		**(610)**	–
Gain on disposal of financial assets at fair value through other comprehensive income	18	**61,857**	3,999
Fair value loss on financial assets at fair value through profit or loss		**(3,288)**	(775)
Administrative and other operating expenses		**(19,373)**	(15,428)
Operating profit/(loss)	8	**41,982**	(3,768)
Finance costs	9	**(10,715)**	(14,957)
Profit/(loss) before income tax		**31,267**	(18,725)
Income tax expense	10	**–**	(163)
Profit/(loss) for the year		**31,267**	(18,888)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Profit/(loss) for the year		**31,267**	(18,888)
Other comprehensive income, that will not be reclassified subsequently to profit or loss			
Fair value gain on financial assets at fair value through other comprehensive income	18	**33,917**	20,143
Other comprehensive income, that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		**8,417**	(2,152)
Other comprehensive income for the year, net of tax		**42,334**	17,991
Total comprehensive income/(loss) for the year attributable to equity holders of the Company		**73,601**	(897)
Profit/(loss) for the year attributable to:			
Owners of the Company		**31,872**	(18,888)
Non-controlling interests		**(605)**	–
		31,267	(18,888)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**74,206**	(897)
Non-controlling interests		**(605)**	–
		73,601	(897)
Earnings/(loss) per share attributable to equity holders of the Company for the year			
— Basic and diluted	12	**HK0.29 cent**	HK(0.17) cent

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**4,116**	123
Goodwill	16	**16,757**	15,883
Loans receivable	19	**1,799**	2,036
Deposits paid	24	**–**	5
Financial assets at fair value through other comprehensive income	18	**103,762**	217,157
		126,434	235,204
Current assets			
Loans receivable	19	**2,299**	3,125
Trade receivables	20	**766**	2,293
Properties under development	21	**145,127**	112,503
Inventories	22	**91**	–
Financial assets at fair value through profit or loss	23	**14,509**	17,797
Deposits paid, prepayments and other receivables	24	**27,166**	21,982
Tax recoverable		**733**	716
Cash and bank balances	25	**18,595**	21,917
		209,286	180,333
Current liabilities			
Trade payables	26	**–**	1,566
Other payables and accrued expenses	27	**102,966**	125,460
Lease liability	17	**–**	42
Interest-bearing bank borrowing	28	**–**	3,000
Loan from a related company	29	**3,858**	3,553
Income tax payable		**60**	57
		106,884	133,678
Net current assets		**102,402**	46,655
Total assets less current liabilities		**228,836**	281,859

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Loans from shareholders	29	**117,276**	245,500
Net assets		**111,560**	36,359
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	30	**111,785**	111,785
Reserves	33	**(1,220)**	(75,426)
		110,565	36,359
Non-controlling interests		**995**	–
Total equity		**111,560**	36,359

On behalf of the Board

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital HK$'000	Treasury shares HK$'000	Capital reserve HK$'000	Financial assets revaluation reserve HK$'000	Employee compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings/ (Accumulated loss) HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 January 2020	111,785	(20,191)	6,044	(142,933)	23,848	(3,655)	61,461	–	36,359
Transfer between reserves									
Release of reserve upon disposal of financial assets at fair value through other comprehensive income	–	–	–	101,049	–	–	(101,049)	–	–
Transfer between reserves	–	–	–	101,049	–	–	(101,049)	–	–
Comprehensive income									
Profit for the year	–	–	–	–	–	–	31,872	(605)	31,267
Other comprehensive income									
Change in fair value of financial assets at fair value through other comprehensive income (note 18)	–	–	–	33,917	–	–	–	–	33,917
Exchange realignment	–	–	–	–	–	8,417	–	–	8,417
Total comprehensive income for the year	–	–	–	33,917	–	8,417	31,872	(605)	73,601
Non-controlling interest contribution	–	–	–	–	–	–	–	1,600	1,600
At 31 December 2020	111,785	(20,191)	6,044	(7,967)	23,848	4,762	(7,716)	995	111,560

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital HK$'000	Treasury shares HK$'000	Capital reserve HK$'000	Financial assets revaluation reserve HK$'000	Employee compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2019	111,785	(20,191)	6,044	(168,855)	23,848	(1,503)	86,128	37,256
Transfer between reserves								
Release of reserve upon disposal of financial assets at fair value through other comprehensive income	–	–	–	5,779	–	–	(5,779)	–
Transfer between reserves	–	–	–	5,779	–	–	(5,779)	–
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(18,888)	(18,888)
Other comprehensive income								
Change in fair value of financial assets at fair value through other comprehensive income (note 18)	–	–	–	20,143	–	–	–	20,143
Exchange realignment	–	–	–	–	–	(2,152)	–	(2,152)
Total comprehensive loss for the year	–	–	–	20,143	–	(2,152)	(18,888)	(897)
At 31 December 2019	111,785	(20,191)	6,044	(142,933)	23,848	(3,655)	61,461	36,359

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		**31,267**	(18,725)
Adjustments for:			
Interest and other income		**(7)**	(694)
Depreciation of property, plant and equipment	8	**581**	154
Gain on disposal of financial assets at fair value through other comprehensive income		**(61,857)**	(3,999)
Written off of property, plant and equipment	8	**–**	1
Impairment loss on properties under development	8	**5,767**	4,000
Fair value loss on financial assets at fair value through profit or loss		**3,288**	775
Impairment/(recovery) of loans receivable, net	8	**521**	(398)
Interest expenses	9	**10,715**	14,957
Operating loss before working capital changes		**(9,725)**	(3,929)
(Increase)/decrease in properties under development		**(16,049)**	13,924
Decrease/(increase) in loans receivable		**542**	(2,219)
Decrease/(increase) in trade receivables		**1,560**	(2,328)
Increase in inventories		**(91)**	–
(Increase)/decrease in deposits paid, prepayments and other receivables		**(3,215)**	4,910
Decrease in trade payables		**(1,652)**	–
Increase in other payables and accrued expenses		**24,715**	2,413
Decrease in contract liabilities		**–**	(15,550)
Cash used in operations		**(3,915)**	(2,779)
Income tax paid		**–**	–
Net cash used in operating activities		**(3,915)**	(2,779)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from investing activities			
Interest received	6	**7**	692
Acquisition of subsidiaries, net of cash acquired	43	**(6,519)**	–
Addition of property, plant and equipment		**(4,506)**	–
Proceeds from redemption of redeemable convertible preference shares	18	**209,170**	9,504
Proceeds from disposal of interest in a subsidiary		**1,600**	–
Net cash generated from investing activities		**199,752**	10,196
Cash flows from financing activities			
Repayment of interest-bearing bank borrowing		**(3,000)**	(1,000)
Repayment to shareholders		**(128,224)**	(118,520)
Payment of lease liability		**(80)**	(81)
Interest paid		**(68,154)**	(43,242)
Net cash used in financing activities		**(199,458)**	(162,843)
Net decrease in cash and cash equivalents		**(3,621)**	(155,426)
Cash and bank balances at 1 January		**21,917**	177,393
Effect of foreign exchange rate changes		**299**	(50)
Cash and bank balances at 31 December		**18,595**	21,917
Analysis of balances of cash and cash equivalents			
— Cash and bank balances	25	**18,595**	21,917

1. GENERAL INFORMATION

South China Assets Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and its principal place of business is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 42 to the consolidated financial statements. The Company and its subsidiaries are together defined to as the "Group" hereafter.

The consolidated financial statements on pages 65 to 158 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the board of directors on 16 March 2021.

2. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs — effective 1 January 2020

In the current year, the Group has applied for the first time the following new or revised HKFRSs which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

A. AMENDMENTS TO HKFRS 3 — DEFINITION OF A BUSINESS

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020. The Group acquired assets during the year and elected to apply the concentration test to that transaction but the transaction met the concentration test. Based on the assessment of elements of a business, the Group concluded that the acquired set of activities and assets is an asset.

2. ADOPTION OF HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1 January 2020 *(Continued)*

B. AMENDMENTS TO HKAS 1 AND HKAS 8 — DEFINITION OF MATERIAL

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendment to HKFRS 16	Covid-19-Related Rent Concession[1]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 9 Financial Instruments, HKFRS 16 Leases[3]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]

1 Effective for annual periods beginning on or after 1 June 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 January 2023.
6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

AMENDMENT TO HKFRS 16 — COVID-19-RELATED RENT CONCESSION

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

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

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

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

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

AMENDMENTS TO HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 AND HKFRS 16 — INTEREST RATE BENCHMARK REFORM — PHASE 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

ANNUAL IMPROVEMENTS TO HKFRSs 2018–2020 — AMENDMENTS TO HKFRS 9 FINANCIAL INSTRUMENTS, HKFRS 16 LEASES

The annual improvements amends a number of standards, including below relevant to the Group's financial statements:

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

AMENDMENTS TO HKAS 16 — PROCEEDS BEFORE INTENDED USE

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

AMENDMENTS TO HKAS 37 — ONEROUS CONTRACTS — COST OF FULFILLING A CONTRACT

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

AMENDMENTS TO HKFRS 3 — REFERENCE TO THE CONCEPTUAL FRAMEWORK

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

2. ADOPTION OF HKFRSs *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

AMENDMENTS TO HKAS 1 — CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT AND HK INTERPRETATION 5 (2020), PRESENTATION OF FINANCIAL STATEMENTS — CLASSIFICATION BY THE BORROWER OF A TERM LOAN THAT CONTAINS A REPAYMENT ON DEMAND CLAUSE

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

AMENDMENTS TO HKFRS 10 AND HKAS 28 — SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are measured at fair values as explained in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

SUBSIDIARIES

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.3 Revenue recognition

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services 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 customer obtains control of the goods or service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Revenue recognition *(Continued)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) *Sales of properties*

The Group develops and sells residential and commercial properties. Revenue is recognised when control over the property has been transferred to the customer.

The properties have generally alternative use for the Group. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(ii) *Sales of medical face masks*

Customers obtain control of the face masks when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the face masks. There is generally only one performance obligation. Invoices are usually payable within 30 days.

(iii) *Advisory service*

Revenue from the provision of investment advisory services is recognised over time when all the relevant duties of an investment manager as stated in the contract are completed.

(iv) *Project management services*

Project management services income are recognised over time according to performance obligation and transaction prices of the contracts. It is recognised when the Group's services are rendered and performance provides of the benefits received and consumed simultaneously by the customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Revenue recognition *(Continued)*

REVENUE FROM OTHER SOURCES

(i) *Interest income*

— Interest income from loans receivable is recognised on a time-proportion basis using the effective interest method by applying the rate discounting the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of financial assets.

— Bank interest income is recognised on a time-proportion basis using the effective interest method.

3.4 Contract liabilities

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

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such case, a corresponding receivable would also be recognised.

3.5 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.6 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and the exchange gain or loss so arising are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separated in the exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

3.7 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Goodwill

Goodwill represents the excess of the consideration transferred and the amount recognised for non-controlling interests over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The consideration transferred is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually (note 3.11).

Any excess of the Group's interest in net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over the consideration transferred is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.9 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the management are determined following the Group's major product and service lines.

The Group has identified three reportable and operating segments:

(a) "Financial services" segment which is engaged in provision of investment advisory and asset management services and money lending business;

(b) "Property development" segment which is engaged in property development business in the People's Republic of China (the "PRC"); and

(c) "Face mask" segment which is engaged in the sale of face masks and other related products.

Each of these operating segments is managed separately as each of the product and service line requires different resources as well as marketing approaches. All inter-segment transfers, if any, are carried out at arm's length prices.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses (note 3.11). The cost of an asset comprises its purchase price and the costs directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is provided using the straight-line method to write off the cost less their residual values over their estimated useful lives, as follows:

Leasehold improvement	3 years or over the lease term, whichever is shorter
Furniture and office equipment	4 to 5 years
Motor vehicles	5 years
Machineries	5 years
Right-of-use asset	over the lease term

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

The gain or loss arising on the disposal of an item of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.11 Impairment of non-financial assets

Goodwill, property, plant and equipment and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Impairment of non-financial assets *(Continued)*

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill in particular is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.12 Leases

THE GROUP AS LESSEE

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Leases *(Continued)*

RIGHT-OF-USE ASSET

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use asset applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Leasehold interests in land represent up-front payments to acquire the land use rights. Certain leasehold interests in land are included in properties under development (note 3.15).

LEASE LIABILITY

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial Instruments

(I) FINANCIAL ASSETS

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

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. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets 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. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial Instruments *(Continued)*

(I) FINANCIAL ASSETS *(Continued)*

Debt instruments (Continued)

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

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(II) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and on hand.

(III) IMPAIRMENT LOSS ON FINANCIAL ASSETS

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial Instruments *(Continued)*

(III) IMPAIRMENT LOSS ON FINANCIAL ASSETS *(Continued)*

The ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

As at year end, the provision for impairment losses is determined as follows:

— Receivables that are subject to provision for impairment losses on the individual basis

  If expected credit risk assessment indicates that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made. Basis for determining provision of bad debts on individual basis is based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

— Receivables that are subject to provision for impairment losses on the grouping basis

  The Group classifies receivables into several groupings in accordance with credit risk characteristics and measures ECL on the basis of groupings. The Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, based on default risk exposure and the expected credit loss rate for the next twelve months or entire lifetime, to calculate the expected credit loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial Instruments *(Continued)*

(III) IMPAIRMENT LOSS ON FINANCIAL ASSETS *(Continued)*

Write-off policy

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

(IV) FINANCIAL LIABILITIES

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Financial Instruments *(Continued)*

(IV) FINANCIAL LIABILITIES *(Continued)*

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, accrued expenses, bank borrowing, loans from a related company and shareholders using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(V) EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(VI) SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares issued by the Company are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

(VII) DERECOGNITION

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Accounting for income tax *(Continued)*

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.15 Properties under development

Properties held under development for future sale in the ordinary course of business are included in current assets and comprise certain land held under operating lease (note 3.12), capitalised depreciation of certain property, plant and equipment (note 3.10), borrowing costs capitalised (note 3.7) and aggregate cost of development, materials and constructions, wages, other direct expenses and an appropriate portion of overheads.

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses.

On completion, the properties are transferred to properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Pension obligations and employee benefits

DEFINED CONTRIBUTION PLAN

Pensions to employees are provided through a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to 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 the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The Scheme is responsible for the entire pension obligations payable to the retired employees and the obligation of the Group under these plans is limited to the fixed percentage contribution payable. Contributions under the Scheme are recognised as an expense in profit or loss as employees rendered services during the year.

SHORT-TERM EMPLOYEE BENEFITS

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Share-based employee compensation

SHARE OPTION SCHEME

The Group operates equity settled share-based compensation plan for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

Upon exercise of share options, the amount previously recognised in employee compensation reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained profits.

SHARE AWARD SCHEME

The Group operates a share award plan which allows it to issue equity-settled share-based payments to selected employees.

For the award granted to the employees, the fair value of the employee services received in exchange for the grant of the share award is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The share award plan also allows the Group to issue other shares to selected employees, the fair value of the awards granted and measured as the Group’s liability at the end of each reporting period, taking into account the terms and conditions on which the other shares are awarded.

All share-based compensation is recognised as an expense in profit or loss unless if qualifies for recognition as asset. If vesting periods or other vesting conditions apply, the expense is recognised over the vest period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3.19 Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Related parties

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

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

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

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

(iii) Both entities 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 the employees of 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 key management personnel of the entity (or of a parent of the entity); or

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

The Group makes estimates and assumptions concerning the future. Such estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Critical judgements in applying accounting policies

(I) GOING CONCERN CONSIDERATION

The assessment of the going concern assumption involves making judgement by the directors of the Company at a particular point of time, about the future outcome of events or conditions which are uncertain. The Group's management has prepared a cash flow forecast of the Group covering over 12 months from 1 January 2021 to 31 December 2021 and concluded that there will be sufficient funds from the Group's existing cash and fund resources, and cash flows to be generated from its operations to finance its future operations to maintain the Group as a going concern in the year ending 31 December 2021. Also, the controlling shareholder (the "Shareholder") has undertaken not to demand immediate repayment of the unpaid interest on the shareholder's loans, which have accumulated to approximately HK$61,380,000 as at 31 December 2020, unless the Group has sufficient funds to pay its other creditors in full. Accordingly, the directors of the Company consider that the Group and the Company have the capability to continue as a going concern.

(II) ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.11. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

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

(a) Critical judgements in applying accounting policies *(Continued)*

(III) PROVISION OF WRITE-DOWN OF PROPERTIES UNDER DEVELOPMENT

Management of the Group reviews the estimation of net realisable value of the properties under development at the end of each reporting period, and makes provision for impairment loss, if any. These estimates are based on the management's monitoring of the development progress, and the market conditions which may affect the future cost and the sales price. It could change as a result of changes in market conditions or internal factors of the Group. Such changes will have impact on the net realisable value of the properties under development and the provision for impairment in the period, and therefore the Group need to reassesses theses estimates at the end of each report period.

(IV) IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

The Group's management assesses the collectability of financial assets at amortised cost on a regular basis to determine if any provision for impairment is necessary. This estimate based on, where appropriate, the evaluation of an ageing analysis of the receivables and on the management's judgement. If the financial condition of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting dates. The carrying amounts of financial assets at amortised cost are disclosed in notes 19, 20 and 24.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

FAIR VALUE MEASUREMENT

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

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

(b) Key sources of estimation uncertainty *(Continued)*

FAIR VALUE MEASUREMENT *(Continued)*

The fair value measurement of the Group's financial assets and financial liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

— Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

— Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

— Level 3: unobservable inputs are inputs for which market data are not available.

The classification of an item into the different levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfer of items between levels is recognised in the period they occur.

The Group measures a number of items at fair value:

— Financial assets at fair value through other comprehensive income (note 18)

— Financial assets at fair value through profit or loss (note 23)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

5. REVENUE

Revenue represents income from the principal activities of the Group, which consisted of property development, money lending business and other financial advisory service.

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers		
— Sale of properties	–	17,284
— Rendering of services	1,314	622
— Sale of face masks	2,459	–
	3,773	17,906
Revenue from other sources		
— Interest income from loans receivable	1,864	1,116
	5,637	19,022

(i) Disaggregation of revenue from contracts with customers

	2020			2019	
	Financial services HK$'000	Property development HK$'000	Face mask HK$'000	Financial services HK$'000	Property development HK$'000
Geographical markets:					
— PRC	–	1,314	–	–	17,284
— Hong Kong	1,864	–	2,459	622	–
	1,864	1,314	2,459	622	17,284
Timing of revenue recognition:					
— Goods transferred at a point in time	–	–	2,459	–	17,284
— Services transferred over time	1,864	1,314	–	622	–
	1,864	1,314	2,459	622	17,284
Sales of properties by types					
— Residential units	–	–	–	–	13,279
— Storerooms	–	–	–	–	2,251
— Shops	–	–	–	–	1,754
	–	–	–	–	17,284

5. REVENUE *(Continued)*

(ii) Performance obligations

SALE OF PROPERTIES

The performance obligation is satisfied upon control of a property is transferred to the customer and the typical payment term is payment on billing schedule as established in the contracts.

ADVISORY SERVICES

The performance obligation is satisfied over time as service is rendered and payment is generally due upon customer acceptance, except for new customer, where payment in advance is normally required.

PROJECT MANAGEMENT SERVICES

The performance obligation is satisfied over time as service is rendered and payment is generally due upon customer acceptance.

The following table provides information about trade receivables from contracts with customers:

	2020	2019
	HK$'000	HK$'000
Trade receivables (note 20)	**766**	2,293

6. OTHER OPERATING INCOME AND GAINS, NET

	2020	2019
	HK$'000	HK$'000
Bank interest income	**7**	692
Recovery of loans receivable, net	**–**	398
Government grant (note)	**324**	–
Exchange gain, net	**–**	4,628
Sundry income	**44**	12
	375	5,730

Note:

The Group applied for various government support programs introduced in response to the pandemic. During the year, the Hong Kong Government has launched the "Employment support scheme" ("ESS") under the "Anti-epidemic Fund" which provides time-limited financial support to employers to retain employees who may otherwise be made redundant. Under the ESS, the Group received the fund of HK$324,000 during the period, for which eligible subsidies of wages which cover the period from June to November 2020.

7. SEGMENT INFORMATION

The management have identified the Group's three business segments as reportable segments as further described in note 3.9.

The Group has identified three reportable segments as follows:

(a) the financial services segment which is engaged in provision of investment advisory and asset management services and money lending business;

(b) the property development segment which is engaged in property development business in the People's Republic of China ("PRC"); and

(c) the face mask segment which is engaged in sales of face masks and related products.

These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

For the year ended 31 December 2020

	Financial services HK$'000	Property development HK$'000	Face masks HK$'000	Consolidated HK$'000
Segment revenue:				
Revenue from external customers	1,864	1,314	2,459	5,637
Other operating income and gains, net	38	12	–	50
	1,902	1,326	2,459	5,687
Segment results	(483)	(7,216)	(1,513)	(9,212)
Unallocated corporate income				325
Unallocated corporate expenses				(8,184)
Fair value loss on financial assets at fair value through profit or loss				(3,288)
Gain on disposal of financial assets at fair value through other comprehensive income				61,857
Unallocated finance costs				(10,231)
Profit before income tax				31,267
Income tax expense				–
Profit for the year				31,267

7. SEGMENT INFORMATION *(Continued)*

	Financial services HK$'000	Property development HK$'000	Face mask HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other segment information					
Depreciation of property, plant and equipment	(83)	–	(443)	(55)	(581)
Impairment on loans receivable, net	(521)	–	–	–	(521)

As at 31 December 2020

	Financial services HK$'000	Property development HK$'000	Face mask HK$'000	Consolidated HK$'000
Segment assets	18,283	162,805	5,522	186,610
Financial assets at fair value through other comprehensive income				103,762
Financial assets at fair value through profit or loss				14,509
Other corporate assets				30,839
Total assets				335,720
Segment liabilities	2,507	33,625	5,402	41,534
Loans from shareholders				117,276
Other corporate liabilities *				65,350
Total liabilities				224,160

* Including accrued shareholders' loans interest.

7. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2019

	Financial services HK$'000	Property development HK$'000	Face mask HK$'000	Consolidated HK$'000
Segment revenue:				
Revenue from external customers	1,738	17,284	–	19,022
Other operating income and gains, net	410	6	–	416
	2,148	17,290	–	19,438
Segment results	(210)	(3,954)	–	(4,164)
Unallocated corporate income				5,314
Unallocated corporate expenses				(8,310)
Fair value loss on financial assets at fair value through profit or loss				(775)
Gain on disposal of financial assets at fair value through other comprehensive income				3,999
Unallocated finance costs				(14,789)
Loss before income tax				(18,725)
Income tax expense				(163)
Loss for the year				(18,888)

	Financial services HK$'000	Property development HK$'000	Face mask HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other segment information					
Depreciation of property, plant and equipment	(89)	–	–	(65)	(154)
Recovery on loans receivable, net	398	–	–	–	398

7. SEGMENT INFORMATION *(Continued)*

As at 31 December 2019

	Financial services HK$'000	Property development HK$'000	Face mask HK$'000	Consolidated HK$'000
Segment assets	25,760	129,552	–	155,312
Financial assets at fair value through other comprehensive income				217,157
Financial assets at fair value through profit or loss				17,797
Other corporate assets				25,271
Total assets				415,537
Segment liabilities	3,252	6,990	–	10,242
Loans from shareholders				245,500
Other corporate liabilities *				123,436
Total liabilities				379,178

* Including accrued shareholders' loans interest.

7. SEGMENT INFORMATION *(Continued)*

The Group's non-current assets (other than financial instruments) by geographical areas are presented as follows:

	Specified non-current assets	
	2020	2019
	HK$'000	HK$'000
Hong Kong	**20,478**	15,991
PRC	**395**	20
	20,873	16,011

The Group's revenue by geographical areas are presented as followings:

Revenue by geographical areas

	2020	2019
	HK$'000	HK$'000
Hong Kong	**4,323**	1,738
PRC	**1,314**	17,284
	5,637	19,022

The geographical locations of revenue allocated are based on the locations at which the properties were sold and services were provided. The geographical locations of non-current assets are based on the physical location of the assets.

None of the customers of the Group contributed more than 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

8. OPERATING PROFIT/(LOSS)

	2020 HK$'000	2019 HK$'000
Operating profit/(loss) is arrived at after charging/(crediting):		
Costs of inventories sold	**2,073**	–
Costs of service	**543**	–
Costs of properties included in cost of sales	**–**	15,103
Auditor's remuneration		
— Audit services	**780**	660
— Non-audit services	**–**	76
	780	736
Exchange gain, net	**–**	(4,628)
Depreciation on property, plant and equipment (note 15)	**581**	154
Less: Depreciation charged to cost of sales	**(443)**	–
Depreciation charged to administrative expenses	**138**	154
Written off of property, plant and equipment (note 15)	**–**	1
Impairment loss on properties under development, charged to other operating expenses (note 21)	**5,767**	4,000
Impairment/(recovery) of loans receivable, net	**521**	(398)
Employee benefit expense (including directors' emoluments)	**5,253**	5,162
Defined contribution plans	**607**	289
Less: Employee benefit expense capitalised in properties under development (note 13)	**–**	(388)
Employee benefit expense (including directors' emoluments) charged to administrative expenses (note 13)	**5,860**	5,063
Operating leases rentals	**39**	65

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest charged on bank borrowing	**67**	164
Interest charged on loan from a related company	**415**	423
Interest charged on loans from shareholders	**10,231**	14,366
Interest charged on lease liability	**2**	4
	10,715	14,957

No interest costs were capitalised during the years ended 31 December 2020 and 2019 since there was no specific or general borrowing loan for qualifying assets.

10. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Land appreciation tax ("LAT")	**–**	163

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profits arising in or derived from Hong Kong for the years ended 31 December 2020 and 2019.

The Group's subsidiaries in the PRC are subject to the PRC Enterprise Income Tax ("EIT") at the standard rate of 25% on the estimated assessable profits. No provision for EIT has been made as the subsidiaries operated in the PRC had no assessable profits for the years ended 31 December 2020 and 2019.

The provision of LAT for the year ended 31 December 2019 is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at ranges of progressive rates from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditure.

The Group is required to prepay LAT in accordance with the relevant PRC tax rules in respect of pre-sale of property development projects. As at 31 December 2019, prepaid LAT of approximately HK$105,000 relating to pre-sale of properties (formerly recorded as other receivables), has been presented as deduction against the tax payables of a respective subsidiary in the consolidated statement of financial position. During the year, no properties were sold by the Group and accordingly, no LAT is provided in the year.

10. INCOME TAX EXPENSE *(Continued)*

Reconciliation between income tax expense and accounting loss at applicable tax rates:

	2020 **HK$'000**	2019 HK$'000
Profit/(loss) before income tax	**31,267**	(18,725)
Tax at the applicable tax rates, calculated at the rates applicable to the tax jurisdiction concerned	**4,520**	(3,416)
Tax effect of non-deductible expenses	**5,640**	4,407
Tax effect of non-taxable income	**(10,251)**	(920)
Utilisation of tax losses previously not recognised	**–**	(113)
Tax effect of tax losses not recognised	**103**	73
Tax effect of temporary difference not recognised	**(12)**	10
Provision of LAT	**–**	163
Tax effect on LAT	**–**	(41)
Income tax expense	**–**	163

As at 31 December 2020, the Group has estimated unused tax losses of approximately HK$136,986,000 (2019: HK$132,031,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK$136,019,000 (2019: HK$131,349,000) and the remaining tax losses of approximately HK$967,000 (2019: HK$682,000) are subject to expiry period of five years.

Withholding tax was calculated at 5% of the dividend declared in respect of profits earned by PRC entities to a Hong Kong investor. No deferred taxation for the years ended 31 December 2020 and 2019 had been provided in respect of the withholding tax that would be payable on distribution of the retained profits since these PRC subsidiaries generated loss and no retained profits as at 31 December 2020 and 2019.

11. DIVIDEND

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

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share attributable to equity holders of the Company is based on the following data:

	2020 **HK$'000**	2019 HK$'000
Profit/(loss) for the year attributable to equity holders of the Company, used in the basic earning per share ("EPSs") calculation	**31,872**	(18,888)

	2020	2019
Weighted average number of ordinary shares in issue during the year	**11,178,498,344**	11,178,498,344
Less: Weighted average number of shares held for share award scheme	**(169,163,118)**	(169,163,118)
Weighted average number of ordinary shares used in the basic EPSs calculation	**11,009,335,226**	11,009,335,226

For the year ended 31 December 2020, basic earning per share is the same as diluted earning per share.

No share option was granted during the years ended 31 December 2020 and 2019. The Company's share options have no dilution effect for the years ended 31 December 2020 and 2019 because the exercise price of the Company's share options were higher than the average market price of the share for the years.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK$'000	2019 HK$'000
Wages and salaries	**5,253**	5,162
Defined contribution plans	**607**	289
Less: employee benefit expense capitalised in properties under development (note 8)	**–**	(388)
Total employee benefit expense charged to administrative expense	**5,860**	5,063
Employee benefit expense charged to administrative expense:		
Wages and salaries	**5,253**	4,862
Defined contribution plans	**607**	201
	5,860	5,063

Included in employee benefit expense is senior management personnel compensation and comprises the following categories:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	**1,603**	3,201
Defined contribution plans	**45**	57
	1,648	3,258

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G), is as follows:

	2020	2019
	HK$'000	HK$'000
Fees	**420**	420
Other emoluments:		
Equity settled share-based payment expenses	**–**	–
	420	420

Certain directors of the Company were granted share options, in respect of their services to the Group, under the share option scheme of the Company, details are set out in note 31 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the measurement is the same as the Group's accounting policy applicable for share-based payment transactions (see note 3.17).

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments paid or payable to the directors of the Company and the chief executive were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity settled share-based payment expenses HK$'000	Defined contribution plans HK$'000	Total HK$'000
Year ended 31 December 2020					
Executive directors					
Ng Hung Sang	–	–	–	–	–
Richard Howard Gorges	–	–	–	–	–
Cheung Choi Ngor	–	–	–	–	–
Ng Yuk Mui Jessica	–	–	–	–	–
Non-executive director					
Ng Yuk Yeung Paul	**100**	–	–	–	**100**
Independent non-executive directors					
Pong Scarlett Oi Lan	**120**	–	–	–	**120**
Yeung Chi Hang	**100**	–	–	–	**100**
Cheng Hong Kei	**100**	–	–	–	**100**
	420	–	–	–	**420**
Year ended 31 December 2019					
Executive directors					
Ng Hung Sang	–	–	–	–	–
Richard Howard Gorges	–	–	–	–	–
Cheung Choi Ngor	–	–	–	–	–
Ng Yuk Mui Jessica	–	–	–	–	–
Non-executive director					
Ng Yuk Yeung Paul	100	–	–	–	100
Independent non-executive directors					
Pong Scarlett Oi Lan	120	–	–	–	120
Yeung Chi Hang	100	–	–	–	100
Cheng Hong Kei	100	–	–	–	100
	420	–	–	–	420

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included zero (2019: zero) directors whose emoluments was reflected in the analysis presented above. The emoluments payable to the five (2019: five) individuals during the year who were also members of senior management of the Group are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and benefits in kind	**1,503**	2,645
Defined contribution plans	**45**	54
	1,548	2,699

Their emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
Nil to HK$1,000,000	**5**	5
HK$1,000,001 to HK$1,500,000	**–**	–
	5	5

During the year, no amount was paid by the Group to the director or the five (2019: five) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Machineries HK$'000	Right-of-use asset HK$'000	Total HK$'000
At 1 January 2019						
Cost	1,594	2,350	140	–	–	4,084
Accumulated depreciation	(1,526)	(2,269)	(133)	–	–	(3,928)
Net book amount	68	81	7	–	–	156
Year ended 31 December 2019						
Opening net book amount	68	81	7	–	–	156
Initial application of HKFRS 16	–	–	–	–	242	242
Depreciation (note 8)	(20)	(53)	–	–	(81)	(154)
Effect of modification to lease terms	–	–	–	–	(120)	(120)
Write-off (note 8)	–	(1)	–	–	–	(1)
Exchange realignment	–	–*	–*	–	–	–*
Closing net book amount	48	27	7	–	41	123
At 31 December 2019						
Cost	100	2,032	140	–	122	2,394
Accumulated depreciation	(52)	(2,005)	(133)	–	(81)	(2,271)
Net book amount	48	27	7	–	41	123
Year ended 31 December 2020						
Opening net book amount	**48**	**27**	**7**	**–**	**41**	**123**
Additions	**1,656**	**1**	**–**	**2,849**	**–**	**4,506**
Acquisition of a subsidiary (note 43)	**–**	**1**	**–**	**–**	**–**	**1**
Depreciation (note 8)	**(158)**	**(40)**	**–**	**(305)**	**(78)**	**(581)**
Effect of modification to lease terms	**–**	**–**	**–**	**–**	**37**	**37**
Exchange realignment	**–**	**30**	**–**	**–**	**–**	**30**
Closing net book amount	**1,546**	**19**	**7**	**2,544**	**–**	**4,116**
At 31 December 2020						
Cost	**1,756**	**2,063**	**140**	**2,849**	**122**	**6,930**
Accumulated depreciation	**(210)**	**(2,044)**	**(133)**	**(305)**	**(122)**	**(2,814)**
Net book amount	**1,546**	**19**	**7**	**2,544**	**–**	**4,116**

* The amount are lower than HK$1,000.

16. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2020 HK$'000	2019 HK$'000
At 1 January		
Gross and net carrying amount	**15,883**	16,184
For the year ended		
Net carrying amount at the beginning of year	**15,883**	16,184
Exchange realignment	**874**	(301)
Net carrying amount at the end of year	**16,757**	15,883
At 31 December		
Gross and net carrying amount	**16,757**	15,883

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating unit ("CGU") comprising the property development business of the Group in the PRC.

The recoverable amount for the cash generating units was determined based on the value-in-use ("VIU") calculations, covering a five-year plan which represents the business cycle and strategy plan of the Group's property development segment and discount rate of 14% (2019: 12%) estimated by the management. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the discount rate, other key assumptions including revenue, construction costs and other direct costs during the forecasted period have been determined, based on the Group's management expectations for the market development after taking into consideration published market forecast and research.

16. GOODWILL *(Continued)*

Sensitivities of key assumptions in calculating VIU

Apart from the considerations described in determining the VIU of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the property market development.

The Group's management considered that a reasonably possible change in a single key assumptions on which the recoverable amount is based would not cause the property development CGU's carrying amount to exceed its recoverable amount. Though taken together, a combination of reasonable changes in key assumption could result in a recoverable amount that is lower than the CGU's carrying amount.

VIU from the Group's property development

Input	Key assumptions	Associated risk	Reasonably possible change
Cash flow projections	• Revenue; • Construction costs; and • Payroll cost.	• Uncertain property development market; • Uncertain regulatory environment	• Cash flow projections decreased by 3%. This does not result in an impairment.
Discount rate	• Reasonable estimate of internal required rate of return, plus risk premium of the property development.	• The rate used is not appropriate to the business	• Discount rate increased to 15%. This does not result in an impairment.

17. LEASE LIABILITY

The Group as a lessee

The Group leases a property in Hong Kong. Under the property lease, the periodic rent is fixed over the lease term. The values in the table below reflect the current proportions of lease payments.

	Lease contracts	**Fixed payments per month**
	Number	HK$'000
31 December 2020		
Property lease with fixed payments	**1**	**13**
31 December 2019		
Property lease with fixed payments	1	7

	Lease liability
	HK$'000
Balance as at 1 January 2019	245
Effect of lease modification	(122)
Interest expense	4
Lease payments	(85)
Balance as at 31 December 2019 and 1 January 2020	**42**
Effect of lease modification	**36**
Interest expense	**2**
Lease payments	**(80)**
Balance as at 31 December 2020	**–**

17. LEASE LIABILITY *(Continued)*

The Group as a lessee *(Continued)*

Future lease payments are due as follows:

	Future lease payments HK$'000	Interest HK$'000	Present value HK$'000
As at 31 December 2020			
Not later than one year	–	–	–
As at 31 December 2019			
Not later than one year	43	1	42

The present value of future lease payments are analysed as:

	2020 HK$'000	2019 HK$'000
Current liabilities	–	42
Non-current liabilities	–	–
	–	42
Short term lease expense	**39**	65

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group held approximately 117.4 million (2019: 378.8 million) redeemable convertible preference shares ("RCPSs") and 212,405,565 listed ordinary shares (2019: 212,405,565) issued by a related company of which its shares are listed on the Main Board of the Stock Exchange. They represented 100% (2019: 100%) of total issued preference shares of the related company and approximately 2% (2019: 2%) of the total issued ordinary share capital of the related company and were designated as financial assets at fair value through other comprehensive income by the Group. A director/controlling shareholder of the Company has controlling interests in the related company.

The fair values of the RCPSs as at 31 December 2020 and 2019 are determined by the directors of the Company with reference to the valuation carried out at that date by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group.

The fair value of the listed ordinary shares has been determined by reference to their quoted bid prices at the reporting date in an active market.

The movements of the carrying amounts of the financial assets at fair value through other comprehensive income are as follows:

	Listed ordinary shares (note (a))	RCPSs	Total
	HK$'000	HK$'000	HK$'000
Net carrying amount at 1 January 2019	40,782	161,737	202,519
Redeemed during the year (note (b))	–	(5,505)	(5,505)
Change in fair value			
— (debit)/credit to equity	(1,699)	21,842	20,143
Net carrying amount at 31 December 2019 and 1 January 2020	**39,083**	**178,074**	**217,157**
Redeemed during the year (note (b))	**–**	**(147,312)**	**(147,312)**
Change in fair value			
— (debit)/credit to equity	**(7,222)**	**41,139**	**33,917**
Net carrying amount at 31 December 2020	**31,861**	**71,901**	**103,762**

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Notes:

(a) 212,405,565 listed ordinary shares were received by the Company from bonus issue offered by the related company to its holders of RCPSs in prior periods.

(b) During the year, the related company redeemed approximately 261.4 million (2019: 11.9 million) RCPSs at HK$0.8 (2019: HK$0.8) per share and the total proceeds from the redeemed RCPs is approximately HK$209,170,000 (2019: HK$9,504,000). Accordingly, a gain on redemption of approximately HK$61,857,000 (2019: HK$3,999,000) was recognized which was calculated at the consideration of RCPSs, a fixed redemption price of HK$0.8 (2019: HK$0.8) per share minus the carrying amount of RCPSs at the redemption date. The accumulated losses of approximately HK$101,049,000 (2019: HK$5,779,000) previously recorded under other comprehensive income were transferred to retained earnings.

19. LOANS RECEIVABLE

Loans receivable bear interest at rates determined on case by case basis and have credit periods mutually agreed between the contractual parties. Each customer has a credit limit. The Group maintains strict control over its outstanding loans receivable and a credit control department has been established to monitor potential credit risk. Overdue balances are reviewed regularly by the senior management and are handled closely by the credit control department. The Group's loans receivable relate to a diversified portfolio of customers. As such, there is no significant concentration of credit risk.

	2020 **HK$'000**	2019 HK$'000
Loans receivable	**13,359**	13,538
Less: provision for impairment loss	**(9,261)**	(8,377)
	4,098	5,161
Less: Non-current portion	**(1,799)**	(2,036)
Current portion	**2,299**	3,125

The loans receivable relate to a diversified portfolio of customers and there is no significant concentration of credit risk.

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity date, net of provision, as follows:

	2020 **HK$'000**	2019 HK$'000
Repayable:		
On demand	**107**	66
Within 3 months	**863**	790
3 months to 1 year	**1,329**	2,269
1 to 5 years	**1,799**	2,036
	4,098	5,161

19. LOANS RECEIVABLE *(Continued)*

Movements in the provision for impairment of loans receivable are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**8,377**	7,957
Impairment losses recognised	**884**	420
At 31 December	**9,261**	8,377
Recovery of loans receivable written off in previous years	**363**	818

Included in the above impairment of loans receivable is a provision for individually impaired loans receivable of approximately HK$8,888,000 (2019: HK$8,064,000) and collectively impaired loans receivable of approximately HK$373,000 (2019: HK$313,000) as at 31 December 2020 with carrying amounts before provision of approximately HK$8,888,000 (2019: HK$8,064,000) and HK$4,471,000 (2019: HK$5,474,000), respectively. The individually impaired loans receivable relate to customers that were in default or delinquency in payments or entered bankruptcy or other financing reorganisation and only a portion of the receivables is expected to be recovered.

The ageing analysis of the loans receivable that are either individually or collectively considered to be impaired is as follows:

	2020 HK$'000	2019 HK$'000
Current (not past due)	**3,990**	5,095
1–90 days past due	**34**	47
91–180 days past due	**74**	19
	4,098	5,161

Loans receivable that were not past due relate to a large number of diversified third party customers for whom there was no significant concentration of credit risk.

As at 31 December 2020 and 2019, the Group does not hold any collateral nor other credit enhancement over these balances in general.

The Group's exposure to credit risk related to loans receivable are disclosed in note 39.

20. TRADE RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Trade receivables	**766**	2,293
Impairment loss recognised	**–**	–
	766	2,293

Ageing analysis of trade receivables based on settlement due date as at the reporting dates is as follows:

	2020	2019
	HK$'000	HK$'000
Current to 90 days	**–**	2,288
Over 90 days	**–**	5
Over 365 days	**766**	–
	766	2,293

The settlement terms of trade receivables arising from the ordinary course of business are repayable on demand.

21. PROPERTIES UNDER DEVELOPMENT

	2020 HK$'000	2019 HK$'000
Leasehold interests in land located in the PRC, at cost	**72,531**	42,967
Development costs and other direct attributable expenses capitalised	**72,596**	69,536
	145,127	112,503

	2020 HK$'000	2019 HK$'000
Balance at beginning of the year	**112,503**	132,362
Acquisition of a subsidiary (note 43)	**29,501**	–
Additions	**3,167**	1,180
Transferred to cost of sales	**–**	(15,103)
Impairment loss recognised	**(5,767)**	(4,000)
Exchange realignment	**5,723**	(1,936)
Balance at end of the year	**145,127**	112,503

In September 2018, a PRC wholly-owned subsidiary ("Cangzhou Subsidiary") of the Company received a notice from the land bureau in Cangzhou, Hebei Province, the PRC (the "Cangzhou Land Bureau"), specifying the decision on repossession of a piece of land site owned by Cangzhou Subsidiary, which is located at Huanghua City, Hebei Province, the PRC (the "Relevant Land"). In October 2018, Cangzhou Subsidiary applied to the land bureau in Hebei Province (the "Hebei Land Bureau") for administrative review on the land repossession decision (the "Administrative Review"). For the purpose of seeking mediation through negotiation with the Cangzhou Land Bureau, Cangzhou Subsidiary applied to the Hebei Land Bureau to temporarily suspend the process of the Administrative Review, and the application was duly accepted by the Hebei Land Bureau in December 2018. As the mediation process had not been finalised as at 31 December 2019, the Administration Review is still valid and its validity would not be adversely affected. The Group's management, with reference to the legal opinion of the Group's PRC legal advisor, are of the view that the legal ownership of Cangzhou Subsidiary in the Relevant Land remained unchanged as at 31 December 2020 and 2019. Accordingly, the Group controls the Relevant Land and has the right to obtain economic benefits from it. The carrying amount of the Relevant Land under properties under development as at 31 December 2020 is approximately HK$26,638,000 (2019: HK$25,248,000).

21. PROPERTIES UNDER DEVELOPMENT *(Continued)*

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses. As at 31 December 2020, the Group has assessed development status for the Group's property projects in the PRC (the "PRC Projects"), and considered that one of the PRC Projects recorded shortfall upon comparison of its carrying amount with the recoverable amount in the properties under development (the "Shortfall"). As at 31 December 2020, such Shortfall was approximately HK$5,767,000 (2019: HK$4,000,000) charged to profit or loss, which in the opinion of the directors of the Company, it was unlikely to be recovered and impaired accordingly.

22. INVENTORIES

	2020	2019
	HK$'000	HK$'000
Finished goods and goods for resale	**91**	–

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss represented the equity securities listed in Hong Kong. Fair value of the listed equity securities has been determined by reference to their quoted bid prices at the reporting date in an active market.

24. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Prepayments	**1,934**	1,798
Other receivables (note (a))	**5,600**	1,336
Deposits paid (note (b))	**19,632**	18,853
	27,166	21,987
Less: Non-current portion	**–**	(5)
Current portion	**27,166**	21,982

24. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) Included in other receivables, approximately HK$3,450,000 was the amounts due from related companies as at 31 December 2020 (2019: HK$40,000). A director/controlling shareholder of the Company has controlling interests in the related companies or is the director of the parent of the related companies. During the year, the maximum outstanding balance due from the related companies was approximately HK$3,450,000 (2019: HK$628,000). The balance were unsecured, non-interest bearing and repayable on demand.

(b) The balance mainly comprises of refundable deposits paid to the PRC local authorities for PRC property development projects of the Group.

25. CASH AND BANK BALANCES

Cash at banks earns interest at the floating rates based on the daily bank deposit rates. As at 31 December 2020, the Group had cash and bank balances denominated in Renminbi ("RMB") of approximately HK$2,478,000 (2019: HK$2,288,000) deposited with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The fair values of cash at banks are not materially different from their carrying amounts because of the short maturity period on their inception.

26. TRADE PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers. Ageing analysis of trade payables as at the reporting dates, based on the invoice dates, is as follows:

	2020 **HK$'000**	2019 HK$'000
Over 180 days	–	1,566

The balances are short term in nature and hence, the directors of the Company consider that the carrying amounts of trade payables are approximate to their fair values.

27. OTHER PAYABLES AND ACCRUED EXPENSES

	2020 HK$'000	2019 HK$'000
Other payables (note (a))	**34,892**	3,551
Accrued expenses (note (b))	**68,074**	121,909
	102,966	125,460

Notes:

(a) As at 31 December 2020, included in the Group's other payables, approximately HK$33,795,000 (2019: HK$3,130,000), represented amounts due to related companies. A director/controlling shareholder of the Company has controlling interests in the related companies.

An outstanding consideration payable to a related company of approximately HK$10,100,000 (note 43) arising from an acquisition transaction were included in the above balance.

During the year, production cost of face masks and other registration fee incurred in relation to a related company and its subsidiaries amounted to approximately HK$2,955,000 in total. Certain balances arising from these transactions were included in the above balance with the related companies. Further details of these transactions are set out in the Company's announcement dated 9 April 2020.

(b) As at 31 December 2020, included in the Group's accrued expenses, approximately HK$61,380,000 (2019: HK$118,925,000), represented accrued interest payables on a shareholder's loans made available to the Group. The accrued interest were unsecured, non-interest bearing and repayable on demand.

The Group has obtained undertakings on not demanding immediate repayment from a controlling shareholder of the Company in respect of the above-mentioned interest payable unless the Group has sufficient funds to pay its other creditors in full.

As at 31 December 2020, the remaining balance of approximately HK$6,694,000 (2019: HK$2,984,000) recorded in accrued expenses, were accrued payroll cost and other operating expenses.

28. INTEREST-BEARING BANK BORROWING

	2020 HK$'000	2019 HK$'000
Current		
Bank loan due for repayment which contains a repayment on demand clause — unsecured and guaranteed	–	3,000

For the year ended 31 December 2019, the bank loan bears interest at floating rate of 2.5% per annum above the HIBOR, and is guaranteed by the Company. During the year, the Company repaid all the outstanding bank loans.

29. LOANS FROM SHAREHOLDERS AND A RELATED COMPANY

(a) As at 31 December 2020 and 2019, loans from a controlling shareholder are unsecured and bear interest at floating rate with reference to the prime lending rate as established from time to time by The Hong Kong and Shanghai Banking Corporation Limited, except for a loan from a shareholder amounted to HK$3,500,000 (2019: HK$3,500,000) which is interest free.

As at 31 December 2020, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2021. As at 31 December 2019, no repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2020. The directors of the Company consider that the fair values of the loans are not materially different from their carrying amounts as at 31 December 2020 and 2019.

(b) As at 31 December 2020, loan from a related company of approximately HK$3,858,000 (2019: HK$3,553,000), was unsecured, bear interest at 12% and repayable within 1 year. A director/controlling shareholder of the Company is the director of the parent of the related company.

30. SHARE CAPITAL

	2020		2019	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**100,000,000,000**	**1,000,000**	100,000,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**11,178,498,344**	**111,785**	11,178,498,344	111,785

31. SHARE OPTION SCHEME

The 2012 Share option scheme (the "2012 Scheme")

The Company's 2012 Scheme was approved by shareholders of the Company and became effective on 8 May 2012.

Particulars of the 2012 Scheme as required under the GEM Listing Rules are set out below:

(A) SUMMARY OF THE 2012 SCHEME

(i) *Purpose of the 2012 Scheme*

The purpose of the 2012 Scheme is to provide incentives or rewards to the Employees (as defined in sub-section headed "Participants of the 2012 Scheme" below) and other person(s) for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds any equity interest.

(ii) *Participants of the 2012 Scheme*

The board of directors of the Company (the "Board") or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), business partner, agent, consultant, contractor, representative of any member of the Group, invested entity, client or supplier, advisor, any other group or classes of participants and shareholder who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the 2012 Scheme.

(iii) *Total number of Shares available for issue under the 2012 Scheme*

The total number of Shares available for issue under the share options, which may be granted under the 2012 Scheme shall not exceed 1,117,849,834 Shares, being 10% of the total number of Shares in issue as at the date of passing the resolution to adopt the 2012 Scheme.

(iv) *Maximum entitlement of each participant*

No Participants shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

31. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(A) SUMMARY OF THE 2012 SCHEME *(Continued)*

(v) *Period within which the Shares must be taken up under an option*

An option may be exercised in accordance with the terms of the 2012 Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

(vi) *Minimum period, if any, for which an option must be held before it can be exercised*

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

(vii) *Amount payable upon acceptance of the option and the period within which the payment must be made*

HK$1.00 shall be paid within 28 days from the date of offer of the option.

(viii) *Basis of determining the exercise price of the option*

The exercise price for Shares under the 2012 Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(2) 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 the offer; or

(3) the nominal value of a Share.

(ix) *Remaining life of the 2012 Scheme*

Subject to early termination of the 2012 Scheme pursuant to the terms thereof, the 2012 Scheme shall be valid and effective for a period of 10 years commencing from the date on which the 2012 Scheme becomes effective, i.e. 8 May 2012 and ending on 7 May 2022.

During the year, the Company did not grant any share options under the 2012 Scheme (2019: Nil).

31. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year ended 31 December 2020 were as follows:

	Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2020	Granted during the year	Exercised during the year	Forfeited during the year	Cancelled during the year	Balance as at 31/12/2020	Date of grant of share option	Exercisable periods of share options (note (i))	Exercise price per share option HK$	Immediately preceding the grant date of share option (note (ii)) HK$	Immediately preceding the exercise date of share option (note (iii)) HK$
Directors											
Cheung Choi Ngor	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Ng Yuk Yeung Paul	83,840,000	–	–	–	–	83,840,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Others											
Ng Yuk Fung Peter	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Sub-total	195,632,000	–	–	–	–	195,632,000					

Particulars and movements of the outstanding share options granted under the 2012 Scheme during the year ended 31 December 2019 were as follows:

	Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2019	Granted during the year	Exercised during the year	Forfeited during the year	Cancelled during the year	Balance as at 31/12/2019	Date of grant of share option	Exercisable periods of share options (note (i))	Exercise price per share option HK$	Immediately preceding the grant date of share option (note (ii)) HK$	Immediately preceding the exercise date of share option (note (iii)) HK$
Directors											
Cheung Choi Ngor	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Ng Yuk Yeung Paul	83,840,000	–	–	–	–	83,840,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Others											
Ng Yuk Fung Peter	55,896,000	–	–	–	–	55,896,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
Sub-total	195,632,000	–	–	–	–	195,632,000					

31. SHARE OPTION SCHEME *(Continued)*

The 2012 Share option scheme (the "2012 Scheme") *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

Notes:

(i) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 36 months	Nil
37th–48th months	30%
49th–60th months	60%
61th–120th months	100%

(ii) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.

(iii) The weighted average closing price of the shares immediately before the date on which the options are exercised.

(iv) The fair values of share options granted under the 2012 Scheme on 1 October 2013 and measured at the respective date of grant was approximately HK$44,289,000. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	1 October 2013
Expected volatility	54.276%
Expected life (in years)	10.0
Risk free interest rate	2.049%
Expected dividend yield	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(v) During the year, no employee compensation expense has been recognised in profit or loss (2019: Nil) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

(vi) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2020		2019	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Balance at 1 January and 31 December	**195,632,000**	**0.188**	195,632,000	0.188

The options outstanding at 31 December 2020 and 2019 had exercise prices of HK$0.188 and a weighted average remaining contractual life of 3 years and 4 years, respectively.

32. SHARE AWARD SCHEME

A share award scheme (the "Share Award Scheme") was adopted by the Board of the Company on 18 March 2011 (the "Adoption Date"). The specific objectives of the Share Award Scheme are to recognise the contributions by certain employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for the development of the Group.

The Board may, from time to time, at its sole discretion select any employee (the "Selected Employee") of any member of the Group for participation in the Share Award Scheme and determine the number of awarded shares to be awarded to the Selected Employees by taking into consideration matters including the general financial condition of the Group and the rank and performance of the relevant Selected Employee.

The Company shall settle a sum of up to and not exceeding HK$50,000,000 for the purpose of purchase of such number of shares and/or other shares (as the case maybe) to be awarded by the Board to the Selected Employee(s) under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no further settlement of the amount to the Trust Fund shall be made on or after 10th anniversary date of the Adoption Date.

Details of the Share Award Scheme are set out in the Company's announcements dated 18 March 2011, 5 November 2013 and 7 December 2014.

In accordance with the Share Award Scheme, the Awards shall be released subject to the vesting periods ranged from 18 months to 33 months from the date of grant of the awards.

No award was granted, vested and forfeited of the Company's shares and other shares during the years ended 31 December 2020 and 2019.

33. RESERVES

The amount of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on pages 69 to 70.

Group

TREASURY SHARES

	2020 Number of shares	2020 HK$'000	2019 Number of shares	2019 HK$'000
Balance brought forward and carried forward	**169,163,118**	**20,191**	169,163,118	20,191

The Company acquired its own shares through one of its subsidiaries in the open market which are held as treasury shares, and will be used to satisfy the awards granted under the Share Award Scheme (note 32); the relevant shares are available for resale and have been included in treasury shares, shown as a component of the reserves of the Company.

Company

	Treasury shares HK$'000	Capital reserve HK$'000	Employee compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	(20,191)	652	23,848	(79,944)	(75,635)
Loss for the year	–	–	–	(13,916)	(13,916)
At 31 December 2019 and 1 January 2020	**(20,191)**	**652**	**23,848**	**(93,860)**	**(89,551)**
Loss for the year	**–**	**–**	**–**	**(12,697)**	**(12,697)**
At 31 December 2020	**(20,191)**	**652**	**23,848**	**(106,557)**	**(102,248)**

The Company's reserves available for distribution include capital reserve, employee compensation reserve and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividend.

34. OPERATING LEASE COMMITMENTS

As lessee

As at 31 December 2020 and 2019, the total future minimum lease payments under non-cancellable operating leases payments by the Group are as follows:

	2020	2019
	HK$'000	HK$'000
Within one year	**43**	11

35. CAPITAL COMMITMENTS

	2020	2019
	HK$'000	HK$'000
Contracted but not provided for:		
— Expenditure in respect of properties under development	**42,551**	20,683

36. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group does not have any significant contingent liabilities.

37. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions during the year:

	2020 **HK$'000**	2019 HK$'000
Interest expenses charged by a shareholder	**10,231**	14,366
Interest expenses charged by a related company	**415**	423
Management fee charged by a related company	**1,471**	2,094
Travel related products purchased from a related company	**40**	11
Consultancy fee income from related companies	**–**	622
Project management service fee charge to a related company	**1,314**	–

Details of the balances with related parties at the reporting date are included in notes 24 and 27 to the consolidated financial statements.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related parties. A director/controlling shareholder of the Company has controlling interests in the related companies or is the director of the parent of the related companies.

Compensation of key management personnel of the Group:

Details of their remuneration are disclosed in note 14 of the consolidated financial statements.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

		Financing cash flow		Non-cash changes			
	As at 1 January 2020 HK$'000	Repayment of principal HK$'000	Interest paid HK$'000	Interest expense recognised HK$'000	Effect of modification to lease terms HK$'000	Effect of foreign exchange rate changes HK$'000	At 31 December 2020 HK$'000
Year ended 31 December 2020							
Loan from a related company	3,553	–	(311)	415	–	201	3,858
Loans from shareholders	245,500	(128,224)	–	–	–	–	117,276
Accrued interest on the loans from shareholders	118,925	–	(67,776)	10,231	–	–	61,380
Bank borrowing	3,000	(3,000)	(67)	67	–	–	–
Lease liability	42	(80)	–	2	36	–	–
	371,020	(131,304)	(68,154)	10,715	36	201	182,514

		Financing cash flow		Non-cash changes			
	As at 1 January 2019 HK$'000	Repayment of principal HK$'000	Interest paid HK$'000	Interest expense recognised HK$'000	Effect of modification to lease terms HK$'000	Effect of foreign exchange rate changes HK$'000	At 31 December 2019 HK$'000
Year ended 31 December 2019							
Loan from a related company	3,620	–	(423)	423	–	(67)	3,553
Loans from shareholders	364,020	(118,520)	–	–	–	–	245,500
Accrued interest on the loans from shareholders	147,210	–	(42,651)	14,366	–	–	118,925
Bank borrowing	4,000	(1,000)	(164)	164	–	–	3,000
Lease liability	245	(81)	(4)	4	(122)	–	42
	519,095	(119,601)	(43,242)	14,957	(122)	(67)	371,020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating, financing and investing activities. The Group does not have written risk management policies and guidelines. However, the Group's management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, credit risk and liquidity risk. The Group's exposure to these risks is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group's financial assets include financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, loans receivable, trade receivables, other receivables and deposits paid and cash and bank balances. The Group's financial liabilities include trade payables, other payables and accrued expenses, loans from a related company and shareholders, interest-bearing bank borrowing, and lease liability.

(a) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has foreign currency exposures. Such exposures arise from the balance of assets and liabilities in currencies other than the functional currency of the Group's entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are considered significant by the directors of the Company are stated as follows:

	2020 **HK$'000**	2019 HK$'000
Assets:		
RMB	**25,248**	22,375
Liabilities:		
RMB	**(15,977)**	(6,933)
Net exposure to foreign currency risk	**9,271**	15,442

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Foreign currency risk *(Continued)*

The Group's policy requires the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate and may enter into foreign currency options or forward contract, when and where appropriate.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the year and held constant throughout the years. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to US$, management considers that there is no significant foreign exchange risk with respect to US$.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit or loss and equity in regards to a 5% depreciation in their functional currencies against the foreign currencies. The analysis is performed on the same basis for 2019.

	(Increase)/decrease in loss and (decrease)/increase in equity	
	2020	2019
	HK$'000	HK$'000
RMB	**(464)**	(772)

The same percentage appreciation in the functional currencies of the Group's entities against the respective foreign currencies would have the same magnitude on the Group's profit or loss and equity but of opposite effect.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Group has no significant interest-bearing assets other than cash and bank balances, the income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest-bearing bank borrowing and loans from a shareholder which bore floating interest. These borrowings carry at variable rates expose the Group to cash flow interest rate risk.

The Group's objective is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Interest rate risk *(Continued)*

SENSITIVITY ANALYSIS

The following table demonstrates the sensitivity of the Group's profit or loss and equity at the reporting date to a reasonably possible change in interest rate, with all other variables held constant.

	Increase in interest rate	(Increase)/ decrease in loss and (decrease)/ increase in equity
	%	HK$'000
2020	**0.5**	**(475)**
2019	0.5	(1,023)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period. The assumed changes in interest rates are considered to be reasonably possible changes on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rates over the next twelve month period. The analysis is performed on the same basis for 2019.

The same percentage decrease in interest rate would have the same magnitude on the Group's profit or loss and equity but of opposite effect, on the basis that all variables remain constant. The assumed changes have no impact on the Group's other components of equity.

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

The Group's policy is to deal only with creditworthy counterparties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Group continuously monitors the recoverability of amounts due from customers and other counterparties, assess impairment of the receivable either individually or by group, and incorporates this information into its credit risk controls and the Group's exposure to bad debts is not significant. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk *(Continued)*

In respect of other receivables and deposits paid, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics at the reporting dates.

There is no concentration of credit risk as the Group's bank balances were mainly deposited in over ten financial institutions with good credit ratings, and the Group has a large number of counterparties for trade receivables, other receivables and deposits paid. Management does not expect any losses from non-performance by these institutions and counterparties.

ECL of loans receivable in different stages are measured respectively at each reporting date by the Group. Stage 1 includes loans receivable that have not had a significant increase in credit risk since initial recognition. For these assets, loss provisions are provided at 12-month ECL; Stage 2 includes loans receivable that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these loans receivable, lifetime ECL are recognised. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

Analysis of the gross carrying amount of loans receivable is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$000	HK$000	HK$000	HK$000
Gross carrying amount as at 1 January 2019	2,639	–	7,862	10,501
Net increase in lending to customers during the year	2,835	–	202	3,037
Gross carrying amount as at 31 December 2019 and 1 January 2020	**5,474**	**–**	**8,064**	**13,538**
Transfer from/to 12 months ECL to/from lifetime ECL	**(879)**	**–**	**879**	**–**
Net (decrease)/increase in lending to customers during the year	**(124)**	**–**	**(55)**	**(179)**
Gross carrying amount as at 31 December 2020	**4,471**	**–**	**8,888**	**13,359**

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk *(Continued)*

Movement in the allowances from impairment are as follows:

	Stage 1 12-month ECL HK$000	Stage 2 Lifetime ECL HK$000	Stage 3 Lifetime ECL HK$000	Total HK$000
As 1 January 2019	95	–	7,862	7,957
Transfer from/to 12 months ECL to/ from lifetime ECL	–	–	–	–
Charged to profit or loss	218	–	202	420
As at 31 December 2019 and 1 January 2020	**313**	**–**	**8,064**	**8,377**
Transfer from/to 12 months ECL to/ from lifetime ECL	**(65)**	**–**	**65**	**–**
Charged to profit or loss	**125**	**–**	**759**	**884**
As at 31 December 2020	**373**	**–**	**8,888**	**9,261**

ECL for loans receivable under stage 1 is calculated on collective basis. The ECL for stage 2 and stage 3 is calculated on individual basis.

The Group has pre-defined loss rate of each loan's category. The loss rate are reference to actual loss experience over the past 5 years and adjusted to reflect forward-looking economic information.

(d) Liquidity risk

Liquidity risk related to the risk that the Group will not be able to meet its obligation associated with its financial liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

As at the reporting dates, the Group's financial liabilities have contractual maturities based on contractual undiscounted cash flows are summarised below:

	Less than 1 year or on demand HK$'000	**Over 1 year HK$'000**	**Total undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
At 31 December 2020				
Other payables and accrued expenses	**102,966**	**–**	**102,966**	**102,966**
Loan from a related company	**4,321**	**–**	**4,321**	**3,858**
Loans from shareholders	**–**	**122,964***	**122,964**	**117,275**
	107,287	**122,964**	**230,251**	**224,099**

	Less than 1 year or on demand HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2019				
Trade payables	1,566	–	1,566	1,566
Other payables and accrued expenses	125,460	–	125,460	125,460
Lease liability	43	–	43	42
Interest-bearing bank borrowing	3,000	–	3,000	3,000
Loan from a related company	3,865	–	3,865	3,553
Loans from shareholders	–	257,600*	257,600*	245,500
	133,934	257,600	391,534	379,121

* Including 1 year's interest

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Summary of financial assets and financial liabilities by category

The carrying amounts of the Group's financial assets and financial liabilities categorised at the reporting dates are categorised as follows. See note 3.13 to the consolidated financial statements for explanations about how the category of financial instruments affects their subsequent measurement.

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at fair value through other comprehensive income	**103,762**	217,157
Financial assets at fair value through profit or loss	**14,509**	17,797
Financial assets at amortised cost:		
— Trade receivables	**766**	2,293
— Loans receivable	**4,098**	5,161
— Other receivables and deposits paid	**25,232**	20,189
— Cash and bank balances	**18,595**	21,917
	166,962	284,514
Financial liabilities		
Financial liabilities at amortised cost		
— Trade payables	**–**	1,566
— Other payables and accrued expenses	**102,966**	125,460
— Loan from a related company	**3,858**	3,553
— Loans from shareholders	**117,276**	245,500
— Interest-bearing bank borrowing	**–**	3,000
Lease liability	**–**	42
	224,100	379,121

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Equity price risk

Equity price risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income at the end of the reporting period. The Group's listed investments and the underlying shares of RCPSs are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

SENSITIVITY ANALYSIS

At 31 December 2020, it is estimated that a general increase of 5% of the price of the financial assets at fair value through profit or loss and the underlying share price of the financial assets at fair value through other comprehensive income, with all other variables held constant, would increase the Group's profit for the year and increase the Group's retained earnings by approximately HK$725,000 and increase of other component of equity by approximately HK$725,000 respectively.

A decrease of 5% of the price of the financial assets at fair value through profit or loss and the underlying share price of the financial assets at fair value through other comprehensive income, with all other variables held constant, would decrease the Group's profit for the year and decrease the Group's retained earnings by approximately HK$725,000 and decrease of other component of equity by approximately HK$1,809,000 respectively.

The assumed changes in market prices represent management's assessment of a reasonably possible change in market prices over the next twelve month period. The analysis is performed on the same basis for 2019.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position

(i) FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The fair values of the Group's financial assets and financial liabilities not measured at fair value approximate their carrying amounts as at 31 December 2020 and 2019 because of the immediate or short-term maturity.

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

HKFRS 13 introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and financial liabilities. The fair value hierarchy has the following levels:

— Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

— Level 2: observable direct and indirect inputs other than quoted prices included within Level 1; and

— Level 3: unobservable inputs are inputs for which market data are not available.

The financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	At 31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Financial assets at fair value through profit or loss				
— Equity securities of a listed company	**14,509**	**–**	**–**	**14,509**
Financial assets at fair value through other comprehensive income				
— RCPSs of a related company	**–**	**–**	**71,901**	**71,901**
— Equity securities of a listed company	**31,861**	**–**	**–**	**31,861**
Net fair values	**46,370**	**–**	**71,901**	**118,271**

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

	At 31 December 2019			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Equity securities of a listed company	17,797	–	–	17,797
Financial assets at fair value through other comprehensive income				
— RCPSs of a related company	–	–	178,074	178,074
— Equity securities of a listed company	39,083	–	–	39,083
Net fair values	56,880	–	178,074	234,954

There have been no transfers between different levels during the years ended 31 December 2020 and 2019.

The level in the fair value hierarchy within which the financial assets and financial liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Information about level 1 fair value measurements

For the financial assets at fair value through profit or loss, the equity securities are shares of listed company and are denominated in HK$. Fair values have been determined by reference to their quoted bid prices at the reporting date.

Information about level 3 fair value measurements

Financial assets at fair value through other comprehensive income in respect of RCPSs of a related company are denominated in HK$. Their fair values are determined using Binomial Option Pricing Model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is correlated to the expected volatility and interest rate. The expected redemption date of the RCPS as included in as the significant inputs in the valuation, is in accordance with the approved redemption plan.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(g) Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

(ii) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

Information about level 3 fair value measurements (Continued)

As at 31 December 2020, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have decreased the Group's other component of equity by approximately HK$997,000 (2019: increased HK$152,000) while a decrease in the expected volatility by 5% would have decreased the Group's other component of equity by approximately HK$39,000 (2019: decreased HK$1,218,000) for RCPSs as a whole. Also, it is estimated that with all other variables held constant, an increase in the interest rate by 10% would have decreased the Group's other component of equity by approximately HK$1,841,000 while a decrease in the interest rate by 10% would have decreased the Group's other component of equity by approximately HK$1,574,000 for RCPSs as a whole. A change of expected redemption date to 31 December 2044 would have decreased the Group's other component of equity by approximately HK$26,792,000, while a change of expected redemption date to 31 December 2039 to 2044 would have decreased the Group's other component of equity by approximately HK$25,255,000.

Significant inputs as follow:	**2020**	2019
Aggregate principal amount	**HK$93,880,505**	HK$308,050,505
Underlying stock price	**HK$0.150 per share**	HK$0.184 per share
Conversion price	**HK$0.4 per share**	HK$0.4 per share
Risk-free rate	**0.24%**	1.764%–1.829%
Interest rate	**7.45%**	8.79%–11.34%
Expected volatility	**53.62%**	56.20%–60.40%
Redemption price	**100% of the principal amount**	100% of the principal amount
Expected redemption date	**31 December 2024**	31 December 2024-2044

A reconciliation of the opening and closing fair value balances are provided as below.

	2020 HK$'000	2019 HK$'000
Financial asset through other comprehensive income:		
At 1 January	**178,074**	161,737
Fair value gain recognised in other comprehensive income	**41,139**	21,842
Redeemed during the year	**(147,312)**	(5,505)
At 31 December	**71,901**	178,074

40. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

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

Three of the subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the Group's regulated subsidiaries are in compliance with related regulations.

The capital-to-overall financing ratio at reporting dates was as follows:

	2020 **HK$'000**	2019 HK$'000
Capital		
Total equity	**111,560**	36,359
Overall financing		
Loan from a related company	**3,858**	3,553
Loans from shareholders	**117,276**	245,500
Interest-bearing bank borrowing	**–**	3,000
	121,134	252,053
Capital-to-overall financing ratio	**92.10%**	14.43%

41. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		–	–
Current assets			
Amounts due from subsidiaries		187,911	386,342
Deposits paid, prepayments and other receivables		200	200
Cash and bank balances		117	117
		188,228	386,659
Current liabilities			
Other payables and accrued expenses		61,380	118,925
Amounts due to subsidiaries		36	–
		61,416	118,925
Net current assets		126,812	267,734
Total assets less current liabilities		126,812	267,734
Non-current liabilities			
Loans from shareholders		117,276	245,500
Net assets		9,536	22,234
EQUITY			
Share capital		111,785	111,785
Reserves	33	(102,249)	(89,551)
Total equity		9,536	22,234

On behalf of the Board

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

42. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries, each of which is a limited liability company, at 31 December 2020 are as follows:

Name of subsidiary	Place of incorporation/ registration	Particulars of issued/ paid-up capital	Effective percentage of equity interest held by the Company Directly	Indirectly	Principal activities and place of operation
Crystal Hub Limited	British Virgin Islands	1 ordinary share of US$ 1 each	100%	–	Investment holding, Hong Kong
滄州君明工程有限公司 Cangzhou Junming Engineering Limited*	The PRC	HK$2,300,000	–	100%	Property development, The PRC
滄州和豐物業服務有限公司 Cangzhou Hefeng Properties Services Limited*	The PRC	RMB500,000	–	100%	Property development, The PRC
滄州南華滄東產業園區開發有限公司 Cangzhou South China Cangdong Industry Park Development Limited*	The PRC	HK$15,000,000	–	100%	Property development, The PRC
滄州南華房地產開發有限公司 Cangzhou South China Real Estate Development Limited*	The PRC	HK$10,000,000	–	100%	Property development, The PRC
天津南華鞋業有限公司 Tianjin South China Shoes Limited*	The PRC	RMB50,000,000	–	100%	Property development, The PRC
Grandbase Universal Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Investment holding, Hong Kong
Grandland Management Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Provision of management services for the Group, Hong Kong
South China Financial Credits Limited	Hong Kong	Ordinary shares of HK$20,000,000	–	100%	Money lending, Hong Kong
South China Asset Management Limited	Hong Kong	Ordinary shares of HK$6,600,000	–	100%	Provision of investment advisory and asset management services, Hong Kong
Excellent Tide Limited	Hong Kong	Ordinary shares of HK$11,350,001	–	100%	Provision of dealing in securities service, Hong Kong

42. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Particulars of issued/ paid-up capital	Effective percentage of equity interest held by the Company Directly	Indirectly	Principal activities and place of operation
South China Futures Investment Limited	Hong Kong	Ordinary shares of HK$6,300,000	–	100%	Provision of dealing in futures contract service, Hong Kong
South China Wealth Advisory Limited	Hong Kong	Ordinary shares of HK$1,000,000	–	100%	Provision of dealing in insurance and MPF service, Hong Kong
South China Industries Limited	Hong Kong	Ordinary shares of HK$1	–	100%	Trading of face mask, Hong Kong

* Denotes English translation of Chinese company names and is provided for identification purposes only

The financial statements of the Company's subsidiaries are audited by BDO Limited for statutory purpose or Group consolidation purpose.

As at 31 December 2020 and 2019, none of the subsidiaries had issued any debt securities.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

43. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

During the year, Proper Mark International Limited, an indirect wholly-owned subsidiary of the Company, acquired 100% equity interest in Silver Giant Limited ("Silver") at cash consideration of HK$17,500,000 (equivalent to RMB15,816,000) from South China Industries (China) Limited, an indirect wholly-owned subsidiary of the Group's related company — South China Assets Holdings Limited. Silver indirectly 100% holds a development site at Xiazhuzhuang Street, Wuzing District, Tianjin City ("the Site") in the PRC. Acquisitions of Silver and its subsidiary ("Silver Group") enable the Group to expand its land banks.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 "Business Combinations" and concluded that the Site is considered a single identifiable asset, properties under development.

Consequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents and deferred tax assets resulting from the effects of deferred tax liabilities) acquired is concentrated in a group of similar identifiable assets and concluded that the acquired set of activities and assets is not a business.

43. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

Assets and liabilities of Silver Group recognised at the date of acquisition:

	Fair value
	HK$'000
Property, plant and equipment (note 15)	1
Properties under development (note 21)	29,501
Other receivables	917
Cash at bank	881
Other payables	(13,800)
Net assets acquired	17,500

Net cash outflows arising on acquisition of Silver Group:

	HK$'000
Consideration paid in cash	17,500
Less: Bank balance acquired	(881)
	16,619

As at 31 December 2020, the Group has settled the consideration by cash of approximately HK$6,519,000. Accordingly, the outstanding consideration payable of approximately HK$10,100,000 had been recorded in other payables and accrued expenses by the Group.

44. SIGNIFICANT EVENT DURING THE YEAR CONTINUING AFTER THE REPORTING PERIOD

The outbreak of the COVID-19 since early 2020 has resulted in significant decrease in commercial activities in the PRC and Hong Kong where the Group operates and negatively affected the Group's business operations. The outbreak of COVID-19 had led to the suspension of work or delay of project development in the PRC due to lockdowns and restrictions resulted from various antipandemic measures by the relevant local authorities. The COVID-19 has also brought additional uncertainties to the economic outlook and delay in settlement from customers.

In preparing these consolidated financial statements, the Group has taken into account the increased risks caused by COVID-19 on impairment of the Group's major financial and non-financial assets when assessing assets impairment mainly including loan receivables, goodwill and properties under development, etc; and has considered for impact of COVID-19 in the parameters/assumptions as adopted in valuation for the fair value measurement on various investments.

Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed above, there is no other matters that would result in a significant adverse impact on the Group's results and financial position as at the reporting date as result of the COVID-19.

The directors of the Company are continuing to assess the implications of Covid-19 pandemic to the business in which the Group operates. Depending on the duration of the Covid-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2021. However, the exact impact in the remainder of 2021 and thereafter cannot be predicted.

45. EVENT AFTER THE REPORTING DATE

Subsequent to the reporting date on 27 January 2021, the Company received a letter from the GEM Listing Review Committee that they had decided to uphold the Listing Committee's Decision to suspend trading in the Company's shares (the "Shares") under the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 9.04 on the ground that the Company had failed to comply with GEM Listing Rule 17.26. At the request of the Company, trading in the Shares has been suspended with effect on 28 January 2021.

On 28 January 2021, the Company received a letter from the Stock Exchange setting out the resumption guidance (the "Resumption Guidance") for the resumption of trading in the Shares to demonstrate that the Company is in compliance with GEM Listing Rule 17.26.

The Resumption Guidance states that: (1) the Stock Exchange may modify or supplement the resumption guidance if the Company's situation changes; and (2) the Company must remedy the issues causing its trading suspension and fully comply with the GEM Listing Rules to the Stock Exchange's satisfaction before trading in the Shares is allowed to resume. Given the foregoing, the Company has the primary responsibility to devise its action plan for resumption, including but not limited to quarterly announcement of updates on developments of action plan, and the first announcement must be made by the Company on or before 27 April 2021.

Further details are set out in the Company's announcement dated 28 January 2021 and 29 January 2021.

Summary of Financial Information

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**5,637**	19,022	1,121	1,736	5,539
Profit/(loss) from operations	**41,982**	(3,768)	(9,589)	33,757	(266,018)
Finance costs	**10,715**	(14,957)	(21,046)	(26,372)	(26,562)
Profit/(loss) before income tax	**31,267**	(18,725)	(30,635)	7,385	(292,580)
Income tax (expense)/credit	**–**	(163)	22,784	(22,204)	–
Profit/(loss) for the year	**31,267**	(18,888)	(7,851)	(14,819)	(292,580)
Assets and liabilities					
Total assets	**335,720**	415,537	577,464	870,549	953,501
Total liabilities	**(224,160)**	(379,178)	(540,205)	(695,082)	(720,183)
	111,560	36,359	37,259	175,467	233,318

Details of Properties

PROPERTIES UNDER DEVELOPMENT

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area
Phase 2 of Zhongjie Project (first complex)	Residential	The pre-sale certificate has been obtained in December 2020	2021	100%	4,000 sq.m.
Huanghua New City property development project (phase 1)	Commercial/ retail	Main contract work to be commenced	2023	100%	40,000 sq.m.