

ANNUAL REPORT 2020



PALINDA GROUP HOLDINGS LIMITED
百利達集團控股有限公司

(Formerly known as “Food Idea Holdings Limited 新煮意控股有限公司”)
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8179



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Huang Wei (*Chairlady*)
Mr. Dou Sheng

Independent non-executive Directors

Mr. Li Lap Keung
Mr. So Yat Chuen
Dr. Wu Wing Kuen, *B.B.S.*

Authorised Representatives

Ms. Huang Wei
Mr. Wong, Andy Tze On
(appointed 5 August 2020)
Mr. Chung Man Wai, Stephen
(resigned 5 August 2020)

Company Secretary

Mr. Wong, Andy Tze On
(appointed 5 August 2020)
Mr. Chung Man Wai, Stephen
(resigned 5 August 2020)

Audit Committee Members

Mr. Li Lap Keung (*Chairman*)
Mr. So Yat Chuen
Dr. Wu Wing Kuen, *B.B.S.*

Remuneration Committee Members

Mr. So Yat Chuen (*Chairman*)
Mr. Li Lap Keung
Dr. Wu Wing Kuen, *B.B.S.*

Nomination Committee Members

Mr. So Yat Chuen (*Chairman*)
Mr. Li Lap Keung
Dr. Wu Wing Kuen, *B.B.S.*

Auditor

Elite Partners CPA Limited
Certified Public Accountants

Principal Bankers

Industrial and Commercial Bank of
China (Asia) Limited
Shanghai Commercial Bank Limited

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office, Headquarters and Principal Place of Business in Hong Kong

Unit 306-A201, 3/F.
Harbour Centre, Tower 1
1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

Hong Kong Share Registrars and Transfer Office

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

Company Website

www.palinda.com

GEM Stock Code

8179

CHAIRLADY'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020 (the "Year" or the "Year 2020").

During the Year 2020, the Group's revenue amounted to approximately HK\$152.51 million which was approximately 33.89% less than that of the last corresponding year ended 31 December 2019 (Last Year or Year 2019). The decrease was mainly due to the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak" or "pandemic") which resulted in a major drop in revenue for the food products business from approximately HK\$230.69 million for the Year 2019 resulting in a loss for the year of approximately HK\$38.04 million for the Year 2020 (2019: \$53.33 million).

WINE BUSINESS

The Group has expanded its business to wine trading as the major revenue segment during the Year under review. The Board believes the development of the wine trading business represents a good opportunity to further expand its distribution and wholesale channels that will help diversify the Group's business. The Group's wines are mainly sourced from our own vineyard as well as various reputable vineyards and wineries in Australia, with a focus on premium quality red wine as the major product. During the Year 2020, the wine trading operation achieved steady results despite recorded a decrease in revenue to approximately HK\$96.64 million (2019: HK\$109.74 million) with a segment profit of approximately HK\$1.66 million (2019: profit HK\$10.27 million).

During the Year 2020, this business segment was clouded by the corona virus pandemic which resulted in lack of social gatherings, corporate functions and public events plus increased competition causing the Group to extend credit terms, as well as adjust margins in order to attract new orders and maintain existing customers. In view of the difficult and uncertain retail situation continuing, the Group closed all self-managed retail outlets in order to reduce costs.

Our Australian subsidiary had gone through difficult year as wines destined for the export market and local trades slowed, further burdened by the political tension between China and Australia. The excessive duties imposed on Australian wines into China range from 107% to 212%, due to the intensifying trade tensions between the two countries. The pandemic situation caused the State of Western Australia imposing hard restrictions for travellers since early 2020 causing extreme challenges to our management of our vineyard and grapes business.

FOOD PRODUCTS OPERATION

The food products operation business was operated by the subsidiaries of the Company to produce and supply barbecued food and Taiwanese Lou Mei to concessionaire stores in major supermarket chains in Hong Kong.

For the Year 2020, the food products operation recorded a decrease in revenue to approximately HK\$55.82 million when compared with approximately HK\$119.06 million for the 2019 due to the pandemic and tough competition which resulted in termination of all outlets during the last quarter of 2020.

Apart the revenue of the food products operation recorded a sales drop of approximately 53.12% for the year 2020, the effect was further burdened by stores closures, the rise in food cost, commission expense, severance payments and staff cost. As a result, this segment worsened from an operating loss approximately HK\$2.67 million for 2019 to operating loss approximately HK\$14.05 million for the year 2020.

CHAIRLADY'S STATEMENT

SECURITIES INVESTMENT BUSINESS

For the year ended 31 December 2020, the Group adopt a prudent approach in identifying opportunities in investment includes various equity securities and funds listed in Hong Kong.

In view of the volatile market condition surrounding the world economies further burdened by the impact of the coronavirus pandemic since the beginning of 2020, the Board has continued to take a more reserve stance about this business segment.

The Group has none securities investment during the Year ended 31 December 2020 (2019: none) while the management continue to monitor market changes and movement in seek of future investment opportunities.

MONEY LENDING BUSINESS

The Group's money lending business remained at cautious stage in view of the ongoing economic uncertainties and coronavirus situation, as management has been reluctant to take unnecessary risks under such climate. During the year ended 31 December 2020, this segment generated interest income of approximately HK\$0.05 million (2019: HK\$1.89 million) and recorded a segment loss of approximately HK\$0.04 million (2019: profit HK\$1.65 million).

PROSPECTS

Since the beginning of the Year 2020, the outbreak of Coronavirus Disease 2019 has adversely affected to the global business environment especially in Hong Kong, Mainland China and all over the world. The outlook remains uncertain and the Board will continue to monitor the situation closely and react timely to its potential impact on the financial position and operating results of the Group.

The Board always strives to improve the Group's business operations and financial position by proactively seeking potential investment opportunities that would diversify the Group's existing business portfolio and broaden its source of income, and enhance value to the shareholders.

APPRECIATION

I would like to thank our shareholders for their support to the Group. I would also like to thank my fellow Directors, senior managements ("management") and all staff members for their positive contributions during the Year. We will continue to work towards our goal and improve our results in the future.

Huang Wei
Chairlady

Hong Kong, 25 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal activities during the Year 2020 were (i) wine trading; (ii) production, sales and distribution of food products to supermarket chains in Hong Kong; (iii) investment in securities; and (iv) money lending business.

During the Year under review, the name of the Company has been changed from "Food Idea Holdings Limited" to "Palinda Group Holdings Limited". Reference is made to the announcements of the Company dated 7 October 2020 and 21 July 2020, the circular of the Company dated 27 July 2020 (the "Circular") and the announcement of the Company relating to the poll result of the EGM dated 20 August 2020 in relation to, among other things, the change of the Company's name. The Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in the Cayman Islands on 27 August 2020 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Companies Registry in Hong Kong on 28 September 2020.

On 4 October 2019, the Group entered into a sale and purchase agreement with an independent third party for the acquisition 100% of issued share capital of Win Everest Holdings Limited and its wholly owned subsidiary (collectively referred to as the "Win Everest Group") which engaged in supply of self-cultivated grapes for winery business and has a vineyard located in Margaret River region in Western Australia. Details of the acquisition were set out in the Company's announcements dated 4 October 2019, 29 November 2019 and 3 January 2020 and the circular of the Company dated 5 December 2019. The acquisition was completed on 3 January 2020 being the main reason for the increase in the Group's property, plant and equipment to approximately HK\$57.12 million (2019: approximately HK\$1.22 million),

Despite significant efforts undertaken by the Group over the years to maintain its catering services, this segment suffered from the deteriorating financial results in light of severe market competition, weakened demand and customer sentiments. In respect of the segment results of the Group, the catering services has been the under-performing segment as compared with the others. Having considered the deteriorating results of the dessert catering business which exerted significant pressure on the overall profitability of the Group and the unfavourable market conditions surrounding the catering business, which was not longer part of the Group's principal activities, the Board decided to dispose of this loss-making business during the early part of Year 2020 in order to consolidate resources for the continuing segments.

MANAGEMENT DISCUSSION AND ANALYSIS

Wine Business

The Group's recent expansion of its wine business included acquisition of wine retail shops business with an aim to take advantage of the steady growth of the Hong Kong wine retail trade in February 2019. Due to the pandemic and political unrest affecting retail trades, management decided to close all retail outlets resulting in impairment of goodwill of approximately HK\$3.2 million for the Year 2020.

Our Australian subsidiary had gone through a difficult year as wines destined for the export market and local trades slowed, further burdened by the political tension between China and Australia. The excessive duties imposed on Australian wines into China range from 107% to 212%, due to the intensifying trade tensions between the two countries. The pandemic situation caused the State of Western Australia where the Group's vineyard is located, imposing hard restrictions for travellers since early 2020 causing extreme challenges to the management of our vineyard and grapes business resulting in impairment of property, plant and equipment amounting to approximately HK\$8.45 million for the year under review.

The Group's wine are mainly from our own vineyard, as well as various reputable vineyards and wineries in Australia, with a focus on premium red wines as the major product. During the Year, the wine business segment recorded lower revenue and achieved reasonable results of approximately HK\$96.64 million in turnover with a segment profit of approximately HK\$1.66 million compare with approximately HK\$109.74 million in turnover and approximately profit of HK\$10.27 million respectively for the Last Year.

Food products operation

The revenue of food products operation recorded a major decrease from approximately HK\$119.06 million for the Year 2019 to approximately HK\$55.82 million for the Year 2020, accounting for approximately 36.6% (2019: 51.6%) of the Group's revenue.

The revenue of the food products operation recorded a major decrease of approximately 53.12% for the Year 2020, primarily due to the pandemic leading to closure and non-renewal of all concessionaire stores as well as, rise in the food cost, staff cost, severance payments and other operating costs. Despite obtaining government grant of approximately HK\$5.75 million in wage subsidies disclosed in other income, the segment loss increased to approximately HK\$14.05 million for the Year 2020 compare with segment loss of approximately HK\$2.67 million for the Last Year.

Securities Investment Business

As at 31 December 2020, the Group had no securities investment (2019: HK\$NIL million). During the Year due to the uncertainties created by the pandemic, the Group recorded no trades (2019: unrealised loss of approximately HK\$5.18 million). This securities investment segment did not contribute towards the Year 2020 results.

MANAGEMENT DISCUSSION AND ANALYSIS

Money Lending Business

In view of the ongoing pandemic, the Group's money lending business shrunk during the Year 2020. Due to the Group's conservative lending policies, this segment generated interest income of approximately HK\$0.05 million (2019: HK\$1.89 million). The Group recorded a segment loss to approximately HK\$0.04 million (2019: profit of HK\$1.65 million).

As at 31 December 2020, the aggregate loan was HK\$Nil million (31 December 2019: HK\$585.07 million) with chargeable effective interest rate ranging from 3% to 36% per annum (31 December 2019: 3% to 36% per annum). As at 31 December 2020, the outstanding loan receivables of the Group was HK\$Nil million (31 December 2019: HK\$2.04 million).

FINANCIAL REVIEW

During the Year 2020, the Group's revenue amounted to approximately HK\$152.51 million which was approximately 33.89% lesser than that of the Last Year. The decrease was mainly due to the major drop in revenue from the food production business, resulting in a loss of approximately HK\$29.45 million for the Year 2020 for continuing operations (2019: approximately HK\$23.89 million for continuing operations).

Loss attributable to the owners of the Company from continuing operations was approximately HK\$25.12 million for the Year 2020, an increase of approximately 1.08% as compared to loss attributable to owners of the Company from continuing operations of approximately HK\$23.80 million in 2019. The increase in the loss was mainly due to: (i) decrease in turnover and increase in operating loss of the food product operation business; (ii) impairment of goodwill relating to wine retail business amounting to approximately HK\$3.2 million; (iii) loss of approximately HK\$8.21 million on early redemption and termination of Promissory Notes; (iv) termination and severance payments relating to the closure of food product operations; (v) finance costs of approximately HK\$6.30 million (2019: HK\$8.30 million) due to additional borrowings; (vi) impairment of property, plant and equipment of the Win Everest Group of approximately HK\$8.45 million; and (vii) share option expense of approximately HK\$1.6 million.

The cost of inventories consumed for the Year amounted to approximately HK\$23.45 million (2019: HK\$51.69 million) which was approximately 54.64% lower than that of the Last Year. The cost of inventories consumed was approximately 15.37% (2019: 22.41%) of the Group's revenue for the Year 2020. The cost of sales for the Year 2020 amounted to approximately HK\$85.68 million (2019: HK\$90.25 million). The cost of sales was approximately 56.18% (2019: 39.12%) of the Group's revenue for the Year 2020. The Group will keep the strategy on bulk purchases of premium wines from suppliers in order to enjoy a larger discount and achieved optimum stock mix. The Group continuously attempt to improve the product mix for the wine business during the Year under review as inventories increased to approximately HK\$338.92 million as at 31 December 2020 (2019: approximately HK\$307.99 million).

Employee benefits expenses for the Year 2020 amounted to approximately HK\$34.89 million (2019: HK\$44.34 million). The rather high employee benefits expenses were mainly due to closure of all concessionaire stores in food products operation which resulted in extraordinary termination and severance payments. During the Year 2020, employee benefits expenses relating to the food production business amounted to approximately HK\$30.50 million, accounting for approximately 88% of the Group's overall employee benefits expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the announcement of the Company dated 4 October 2019, a direct wholly owned subsidiary of the Company as the purchaser and the vendor has entered into a sale and purchase agreement to acquire 100% of issued share capital of Win Everest Holdings Limited and its wholly owned subsidiary for approximately HK\$60 million. The consideration has been satisfied by (i) HK\$5 million in cash upon the signing of the sale and purchase agreement; (ii) the issue of the promissory note by the purchaser to the vendor to the value of HK\$37.36 million upon completion; and (iii) the issue and allotment of the 63,000,000 consideration shares at share price of HK\$0.28 per share by the Company upon completion. The acquisition has been completed on 3 January 2020. This acquisition strategy allowed the Group to have direct access to better grapes source and selections for the future development of the wine business.

Pursuant to the announcement of the Company dated 12 February 2020, a direct wholly owned subsidiary of the Company as the vendor and the purchaser has entered into two sets of provisional sale and purchase agreement to disposal of the entire equity interest in and sale loans of, Eternity Rise Investments Limited and Eternity Rise Property Limited, two indirect wholly owned subsidiaries of the Group, at the considerations of HK\$16.8 million and HK\$11.2 million respectively. The disposal has been completed on 26 June 2020.

During the year, in addition to the above disposal, the Group also disposed of a wholly owned subsidiary relating to the catering segment to an independent third party. The total disposed subsidiaries and associates, including those related to discontinued catering operations, resulting in an overall loss on the disposal of approximately HK\$3.83 million were recorded by the Group for the year ended 31 December 2020.

OUTLOOK AND PROSPECTS

Since the beginning of January 2020, COVID-19 outbreak has continuously and adversely affected the global business environment including Hong Kong. The outlook remains uncertain despite vaccinations being implemented in many countries, and the Management will continue to monitor the situation closely. Depending on the duration of the disruption caused by COVID-19 outbreak, future financial results could be further adversely affected by lower revenue and economic slowdown. The Directors will continuously monitor the effects of the COVID-19 pandemic and respond swiftly to its potential impact on the financial position and operating results of the Group.

Wine industry in Hong Kong has been well developed for years. With the removal of all wine duties by the Hong Kong government in 2008 and the support of a significant pool of experienced wine merchants with good wine knowledge and international trade experience, Hong Kong has further developed into a famous wine trading and distribution centre for the region. According to the Hong Kong Trade Development Council Research Report on 4 November 2020, which provided statistical data for the previous year of 2019, and data from statista, wine sales in Hong Kong amounted to United States Dollars USD\$677 million or 34.3 million liters in 2019, up 5.5% and 2.2%, respectively, per annum in the past five years. For 2020 to 2023, it is forecasted to grow 11.2% per annum in value terms and 5.7% per annum in volume terms.

MANAGEMENT DISCUSSION AND ANALYSIS

In view of the less volatile results in wine trading segment for the Year 2020 and the positive future prospects of the wine industry in Hong Kong, wine trading represents a good opportunity for the Group to further expand its distribution and wholesale channels which will help diversify the businesses of the Group. As such, it is the intention of the Group to further strengthen its sales capability in wine trading with more advertisement and promotions targeting the APEC or Asia Pacific Economic Cooperation wine market. Apart from continuing efforts in product portfolio expansion and on-line marketing, the Group will seek acquisition opportunities to enhance the operating scale and performance of the wine trading segment. The Group is of the view that it may benefit the development of the existing wine trading business by expanding our APEC customer base, additional wine supply channels provided by the acquisition of Win Everest Group and acquisition or employment of expertise with relevant skill sets and connections in the wine trading industry.

For the food products operation, the Group will review the viability in bidding for new concessionaire stores, as during the Year 2020, all concessionaire stores have been closed. Management will be assessing the rising food costs, relatively high labour costs and commission expenses to maintain outlets within supermarket chains in order to ensure future profitability and operational efficiencies of continuing the food products business. The pandemic condition had caused this segment to operate under extreme hygienic process and incurred additional costs due to continuous demanding operating condition in Year 2020. Management do not expect this segment's trading condition to recover immediately in the coming year 2021 as competition had caused all customers to discontinue utilizing all our food delivery to their outlets since last quarter of the Year 2020.

The Group will actively seek for opportunities to expand its money lending business in the new financial year when the economic and job market situation improves overtime. Management foresee more potential clients negotiating with the Group directly without involving any financial intermediaries. With regard to the recent combat on the illegal malpractices of financial intermediaries which charge exorbitant intermediary fees, the Board believes more borrowers will avoid using financial intermediaries and turn to deal with licensed money lenders which are more reliable and regulated, such as banks and licensed money lenders of listed companies directly, offering new opportunities to the Group.

Management will monitor the risk exposure regularly and adjust the Group's investments in securities strategies in the new year when the economy recovers, while selectively choose those with the most balanced risk and return potential as experts anticipate the uncertainties surrounding the world economies to continue for this coming financial year.

The Group will closely monitor and review the performance of existing businesses and may dispose of and scale down the underperforming businesses in order to concentrate our limited resources to develop business with the greater potential for growth and profitability. The management strives to diversify the Group's existing businesses and broaden its source of income.

DIVIDENDS

No dividend was paid or proposed by the Company during the year ended 31 December 2020 nor has any dividend been proposed since the end of the reporting period (2019: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Year 2020.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 December 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK\$58,658,000 and HK\$368,325,000 respectively (2019: HK\$41,493,000 and HK\$360,318,000 respectively). Details of the capital risk management are set out in the Note 36 to the consolidated financial statements.

Cash position

As at 31 December 2020, the carrying amount of the Group's unpledged bank balances and cash was approximately HK\$7,917,000 (2019: HK\$4,079,000), representing an increase of approximately 94% as compared to that as at 31 December 2019. No bank deposits were pledged to banks for the banking facilities of the Group for both years.

During the Year and up to the date of this report, the Group has made the following issues for cash equity securities:

- a. On 23 January 2020, a total of 63,000,000 consideration shares have been issued at the price of HK\$0.28 per share pursuant to the terms and conditions of the sale and purchase agreement to acquire 100% of issued share capital of Win Everest Group.
- b. On 31 March 2020, a total of 55,320,000 placing shares have been placed by the Placing Agent at the Placing Price of HK\$0.18 per placing share. As a result, the Company received a net proceed of approximately HK\$9.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Fund raising activity of the Group during the past twelve months

Date of announcement	Fund raising activity	Net proceeds to be raised (approximately)	Proposed use of net proceeds	Actual use of net proceeds
28 February 2020 (completed on 31 March 2020)	Placing 55,320,000 new shares at HK\$0.18 per placing shares	HK\$9.76 million	(i) Approximately HK\$8 million for procurement of wine; and (ii) Approximately HK\$1.76 million for the Group's general working capital purpose.	Used as intended

Save for the fund raising activity disclosed above, the Company had not conducted any fund raising activities in the past 12 months immediately preceding the date of this annual report.

Borrowings and charges on the Group's assets

Details of borrowings and charges on the Group's assets as at 31 December 2020 are set out in Note 25 to the consolidated financial statements.

Gearing ratio

Gearing ratio is calculated as net debt (borrowings, promissory notes and lease liabilities less bank balances and cash) divided by the total of net debt and total equity (excluding non-controlling interest). As at 31 December 2020, the gearing ratio was approximately 16% (2019: 20%).

Exchange Rate Exposure

The Group's business operations are denominated mainly in Hong Kong dollars ("HK\$"). Other than the interest in a wholly owned Subsidiary is denominated in Australian Dollar ("AUD"), the Group's assets and liabilities are mainly denominated in HK\$. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of HK\$ or AUD may have an impact on the financial results of the Group.

The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disposal of associates, joint ventures, acquisition of subsidiaries, disposal of subsidiaries and event after the end of the reporting period disclosed in Notes 18, 34, 35, and 42 to the consolidated financial statements respectively, the acquisition and disposal of subsidiaries disclosed elsewhere in this report, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Year. Saved as disclosed elsewhere in this report, there is no plan for material investments or capital assets as at 31 December 2020.

CONTINGENT LIABILITIES

Save as disclosed elsewhere in this annual report, the Group had no material contingent liabilities as at 31 December 2020 (2019: Nil).

CAPITAL COMMITMENTS

There were no capital commitments for the Group as at 31 December 2019 and 2020.

EMPLOYEES AND EMOLUMENT POLICIES

The Group had over 17 employees (including Directors) as at 31 December 2020 (2019: 220). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed by the Remuneration Committee, having regard to the Group's operating results, market competitiveness, individual performance and achievement, and approved by the Board. In addition, the Group adopted a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group. Details of the share option scheme are set out in Note 30 to the consolidated financial statements.

DIRECTORS' REPORT

The Board is pleased to present their annual report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 10 February 2011.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 40 to the consolidated financial statements. The Group is principally engaged in (i) wine business; (ii) production, sales and distribution of food products to supermarket chains in Hong Kong; (iii) investment in securities; and (iv) money lending business.

SEGMENT INFORMATION

Details of segment information of the Group for the Year are set out in Note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 47 to 166.

During the Year, no interim dividend (2019: Nil) was declared and paid.

During the Year, there was no arrangement under which any shareholder waived or agreed to waive any dividend.

The Directors do not recommend the payment of final dividend for the Year (2019: Nil). Further details of dividends are set out in Note 12 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairlady's Statement" and "Management Discussion and Analysis" set out on pages 4 to 5 and pages 6 to 10 respectively.

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to a variety of risks, some are specific to the businesses in which the Group operates while others are common risks that most businesses face. Procedures have been established by the Directors to ensure significant risks that may adversely affect the Group's operation and performance are identified and corresponding measures are in place to mitigate those risks. Save as disclosed in Note 37 to the consolidated financial statements and elsewhere in this annual report, the following are the most significant risks identified as at 31 December 2020. If any of these events occur, the Group's businesses, financial conditions, results of operations and/or prospects of the Group could be materially and adversely affected. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those highlighted below, which are not known by the Group or which may not appear significant now but could turn out to be so in the future. Key risks related to the Group's businesses and to the industries in which the Group operates include:

Prolonged COVID-19 outbreak

Since the beginning of January 2020, the COVID-19 outbreak has adversely affected to the global business environment especially in Hong Kong and Mainland China. The outlook remains uncertain and it is difficult to estimate how long the disruption caused by COVID-19 outbreak which would adversely affect the Group's businesses, financial condition and results of operations.

Market Risk

Adverse financial impacts include earnings volatility, cost volatility including changes in income and corporate taxes, transportation and fuel prices, interest rates and other operating expenses; exchange rate volatility in the currencies we use; and the Australia-China political and trade tensions affecting market sentiment and status of Hong Kong, such as the excessive import duties imposed on Australian wines into China increasing cost of trades.

Employee Engagement Risk

We are only as good as our people and so our ability to achieve our vision depends on the effectiveness of our staff both ashore and at sea. Loss of key staff or an inability to attract, train or retain staff could affect our ability to grow our business and achieve our long-term goals.

Customer Satisfaction and Reputation Risk

Poor service may lead to impaired brand value and reputation as a trusted counterparty, which could restrict our access to customers, cargoes, transportation handling, funding and talent.

DIRECTORS' REPORT

IT Security Risk

Our business processes rely heavily on IT systems (including cloud-based) and daily communications and accounting systems. Failure of a key IT system, targeted attacks on our system, or a breach of security could result in communications breakdown and business disruption.

Operational Efficiency Risk

Poor internal systems, processes, communications and management could adversely impact our business and undermine our operational efficiency.

Liquidity Risk

Insufficient financial resources (such as bank borrowing facilities) may negatively impact the Group's ability to meet its payment obligations as they fall due.

Wine product cost may increase due to global warming and climate change

Grape is the major ingredient in wine, which is highly affected by weather. Water deficits and droughts, hail, flooding, the frequency of extreme weather events all influence the way a grape is grown and its final quality. It turns out implies a fluctuation in product costing of the Group.

Weather is an uncontrollable factor that the Group is not able to manage if bad weather occurs. There is no assurance that the Group will be able to maintain adequate supply from other countries with promising quality. The Group may be required to increase the procurement cost, which may adversely affect the Group's profitability.

Keen competition in Hong Kong wine industry

Due to zero import custom policy in 2008 and the benefits promoted by the Government of the HKSAR, it reduces the cost to enter the wine business market resulting in lower barrier to become wine traders in Hong Kong.

Sustainable effort has to be made, in order to gate keeping the costing and quality of the Group's sourced wine, or it may be adversely affected in the event that the Group is not competitive in terms of the pricing, or there is a drop in the quality of the products.

Consumer willingness to buy tends to be conservative due to economy uncertainty

Wine generally being classified as a luxury product which being segmented into medium to high-end market. It may be highly affected by economy uncertainties. The Group may have to reduce the price levels or offer better business terms to customers, which may adversely affect the Group's performance.

DIRECTORS' REPORT

Most of the Group's food production revenue from food products operation was derived from the concessionaire stores in supermarket chains in Hong Kong

Over 90% of the revenue from food products operation was derived from the concessionaire stores in supermarket chains in Hong Kong. As at 31 December 2020, we do not operated any concessionaire stores in supermarket chains in Hong Kong.

Competition in the Hong Kong food products operation is keen, and the operating results may fluctuate from time to time subject to various factors, including customers' taste and economic performance. Most of these factors fall outside the Group's control. If we are not able to compete with the competitors, in terms of brand recognition, price levels and food and service quality, the business could be adversely affected.

Should the supermarket chains discontinue and not renew the concessionaire store agreements with the Group, the Group's operation, financial performance and business prospects may be materially and adversely affected. All supermarket chains discontinued the concessionaire store agreement with the Group subsequent to the Year and up to the date of this annual report.

Food safety issue

Given the nature of the food production industry, the Group faces an inherent risk of food contamination and product liability claims. Any outbreak of contamination, allegations of poor standards of hygiene or cleanliness, adverse publicity resulting from publication of industry findings or research reports in relation to any of food ingredients used by the Group could affect public confidence in the Group's food products that may lead to a loss in consumer confidence and reduction in consumption of the particular food product concerned. The Group may also have to incur additional costs in placating any customers or salvaging its reputation or may have to look for alternative sources of food supply which may be more costly.

Securities Investment Risks

The performance of the Group's securities investment business is determined by its investment decisions and judgement. Such are based on the management's assessment of existing and future market conditions. The management closely monitors the market value and financial performance of the Group's investment portfolio. If the decision-making for the investments fails, or actual changes in market conditions differ from the projection of the management, the securities investment business may be suffered and the anticipated returns may not be achieved, which would materially adversely affect the Group's business, financial condition and results of operations.

DIRECTORS' REPORT

Credit and Counterparty Risk

The Group engages in money lending business which provides financing to customers for earning interest income. The business is therefore subject to risks that the customers may fail to perform their contractual obligations and default on payment of interest and/or the principal. In the event that the customers are late with their payments, the Group's credit collection staff will contact such customers to remind them of their late repayment. Where, after multiple reminders, the customer does not repay such outstanding amounts, or where the Group is unable to locate such customer, the Group may consider commencing legal proceedings in order to enforce its secured interest against any such assets. If the customers delay or default on their payments, the Group may have to incur additional legal costs and expenses in order to enforce its security and/or make provision for impairment or write-off the relevant loans and interest receivables, which in turn may adversely affect its financial position and profitability.

Default or failure of counterparties to honour their contractual obligations may cause financial losses. Counterparties include our customers; wine makers; grapes growers, sellers and buyers; banks and financial institutions.

The value or the residual value of the securities may not be sufficient to cover the exposure of the loans

The Group have granted most of its loans with securities such as properties, equity securities listed in Hong Kong. However, if the value of the securities declines and the borrower is unable to repay the full value of the loan, the safety margin of the Group's outstanding loans will be reduced and the risk of recovering its exposure to such loan will be increased. Failure to recover the Group's exposure to any loan would adversely affect the profitability of the money lending business.

Environmental policies and performance

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group also commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, encourages use of recycled paper for printing and copying, double-sided printing and copying and reduces energy consumption by switching off idle lightings, air conditioning and electrical appliances.

Any deficiency in compliance with emissions and other environmental legislation and standards may result in financial loss and significant damage to our brand and the long-term sustainability of our wine business.

DIRECTORS' REPORT

Compliance with the relevant laws and regulations

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with suppliers, customers and other stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

Save as the dispute with a customer in the Group's money lending business, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders during the Year.

PERMITTED INDEMNITY

Pursuant to the memorandum and articles of association ("Articles of Association") of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

ANNUAL GENERAL MEETING

A circular containing the details of 2021 AGM and the notice of 2021 AGM and form of proxy accompanying thereto will soon be despatched to shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in Note 39 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

As at 31 December 2020 the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$248,996,000 (2019: HK\$251,337,000). The amount includes the Company's share premium, capital reserve and accumulated losses which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the Year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group, as extracted from the consolidated financial statements, is set out on page 166 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital and movements during the year are set out in Note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the Year and Last Year, the Group's total revenue from its five largest customers accounted for approximately 40% (2019: less than 30%).

The information in respect of the Group's purchases attributable to the major suppliers for the Year and Last Year is as follows:

	Percentage of the Group's total sales/purchases	
	2020	2019
The largest supplier	49%	54%
Five largest suppliers in aggregate	84%	78%

None of the Directors, their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the major suppliers disclosed above.

DIRECTORS

The Directors during the Year and up to the date of this annual report are as follows:

Executive Directors

Ms. Huang Wei (*chairlady*)
Mr. Dou Sheng

Independent non-executive Directors

Dr. Wu Wing Kuen, *B.B.S.*
Mr. Li Lap Keung
Mr. So Yat Chuen

Pursuant to article 84 of the Articles of Association, Mr. Dou Sheng and Mr. So Yat Chuen shall retire from office as executive Director and Independent non-executive Director respectively, by rotation at the 2021 AGM and, being eligible, offer themselves for re-election at the 2021 AGM.

DIRECTORS' REPORT

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Ms. Huang Wei (黃巍女士), aged 53, was appointed as an executive Director on 12 August 2019, as an authorised representative and a compliance officer of the Company on 24 October 2019 and as a chairlady on 30 September 2019. Ms. Huang obtained a Bachelor of Business (Accounting) degree from Central Queensland University in 1997. Ms. Huang has over 20 years of experience in financial management aspects. She is also a director of certain subsidiaries of the Group and is responsible for overall management and strategic planning of the Group.

Mr. Dou Sheng (竇勝先生), aged 41, was appointed as an executive Director on 24 October 2019. He obtained a Bachelor degree in Material Science and Engineering from the Henan University of Science and Technology* (河南科技大學) in 2002. He has over 10 years of experience in sales distribution and marketing in China. He is also a director of certain subsidiaries of the Group and is responsible for business development and marketing of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Lap Keung (李立強先生), aged 38, was appointed an independent non-executive Director on 22 February 2019. He is also the chairman of the Audit Committee and member of the Nomination Committee and Remuneration Committee. Mr. Li has over 6 years' experience of external and internal audit in international accountancy firms and 2 years as a senior manager and head of auditing at Jimei International Entertainment Group Limited (now known as Starlight Culture Entertainment Group Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1159). Mr. Li has experience in financial and internal audit together with compliance aspects for private and listed companies for various industries. He is currently the company secretary of Hovel Services Group Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6093). He obtained his bachelor degree in Business Administration (Honours) in Accountancy from the City University of Hong Kong in 2008. He is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. So Yat Chuen (蘇溢泉先生), aged 52, was appointed an independent non-executive Director on 22 February 2019. He is also the chairman of the Nomination Committee and Remuneration Committee and a member of the Audit Committee. Mr. So is a solicitor of the High Court of the Hong Kong Special Administrative Region and has over 22 years of experience in legal sector. Mr. So is currently one of the chairmen of the Appeal Tribunal Panel (Buildings) (section 45 of the Building Ordinance (Cap. 123 of the Laws of Hong Kong)) and his appointment is for the period from 1 December 2018 to 30 November 2021. He was a member of the Wanchai West Area Committee under the Home Affairs Department, The Government of the Hong Kong Special Administrative Region from 2014 to 2020. Mr. So obtained a Bachelor of Laws degree from Peking University, a Post-graduate Diploma in English and Hong Kong Law from Manchester Metropolitan University in 2001 and a Master of Laws degree from the University of Greenwich in 2016.

* For identification purpose only

DIRECTORS' REPORT

Dr. Wu Wing Kuen, *B.B.S.* (胡永權博士, *B.B.S.*), aged 64, was appointed an independent non-executive Director on 16 January 2019. He is also a member of the Nomination Committee, Audit Committee and Remuneration Committee. Dr. Wu has over 25 years of experience in real estate investment. He has been serving as director of Jet View Investment Limited since December 1991 and as director of Jade Mind Investment Limited since October 2004. Both companies are principally engaged in real estate investments. Dr. Wu has also been serving as independent non-executive director of Nanfang Communication Holdings Limited (stock code: 1617) and Million Cities Holdings Limited (stock code: 2892), the shares of which are listed on the Main Board of the Stock Exchange, since November 2016 and June 2018. Dr. Wu has also been serving as independent non-executive director of the Hong Guang Lighting Holdings Company Limited (stock code: 8343), the shares of which are listed on the GEM of the Stock Exchange. Dr. Wu obtained his doctoral degree in business administration from the Clayton University in the United States in June 1989.

SENIOR MANAGEMENT

Mr Wong, Andy Tze On, *CPA* (王子安先生), aged 53, is the chief financial officer responsible for formulation of the corporate strategies, corporate and business management, financial planning and management of the Group. He is also responsible for listing compliance, financier relationship and risk management as well as corporate communications of the Group. He was formally an executive director of a locally listed company from 1997 to 2014. Mr Wong holds a business degree in accounting from Curtin University of Technology, Western Australia. He is a member of the Australian Society of Certified Practising Accountants. Mr Wong was appointed as the authorised representative as well as the Company Secretary of the Company in August 2020.

DIRECTORS' SERVICE CONTRACTS

Ms. Huang Wei, the executive Director, has entered into a service agreement with the Company for a term of three years with effect from the date of appointment on 12 August 2019. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless either party has given at least three month's written notice of non-renewal before the expiry of the then existing term.

Mr. Dou Sheng, the executive Director, has entered into a service agreement with the Company for a term of three years with effect from the date of appointment 24 October 2019. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless either party has given at least three month's written notice of non-renewal before the expiry of the then existing term.

DIRECTORS' REPORT

Each of the independent non-executive Director has entered into a letter of appointment with the Company for a term of one year from their dates of appointment and is subject to termination by either party giving not less than one month's written notice.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT AND HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five individuals with highest emoluments are set out in Note 11 to the consolidated financial statements.

For the Year, the remuneration of the senior management whose details are included in the "Biographical Details of The Directors and Senior Management" section of this annual report fell within the following bands:

Remuneration Bands	Number of Individuals*
Below HK\$1,000,000	4

* Resigned Senior Management during the Year are included

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

As at 31 December 2020, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

EMOLUMENT POLICY

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors and senior management are reviewed by the Remuneration Committee, having regard to the Group's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in Note 30 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in Note 32 to the consolidated financial statements.

SHARE OPTION SCHEME

Details of the share option scheme of the Group are set out in Note 30 to the consolidated financial statement.

DIRECTORS' INTERESTS IN CONTRACT

Saved as disclosed under the section "Connected Transactions" below, no contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates had an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Year or as at 31 December 2020.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Company

Name of Director	Capacity/nature of interest	Total number of ordinary shares held	Approximate percentage of interest
Ms. Huang Wei	Beneficial owner	63,835,200	10.88%

Saved as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company had, or deemed to have, any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above, at no time during the Year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

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

So far as the Directors are aware, as at 31 December 2020, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above, no parties have interest or short position in the shares or underlying shares of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Year.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the Year are disclosed in Note 33 to the consolidated financial statements.

Save as disclosed in the section headed "Continuing Connected Transactions" of this annual report, none of the related party transactions constitute a connected transaction (as defined in the GEM Listing Rules) that is required to be disclosed.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain agreements with the Company's connected persons (as defined under Chapter 20 of the GEM Listing Rules) constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are disclosed in Note 33 and fully exempted under 20.71(1) of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in Note 42 to the consolidated financial statements. Save as disclosed elsewhere in this annual report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this annual report.

DIRECTORS' REPORT

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the year. The Company was not aware of any non-compliance during the Year.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 25 June 2011 and 1st revised on 30 December 2015 and 2nd revised on 20 December 2018 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee, among other things, are to assist the Board in overseeing and reviewing (i) the effectiveness of the Group's risk management and internal control systems and regulatory compliance of the Group; (ii) the integrity of the Company's financial statements and application of accounting standards and significant judgements contained in the financial statements; and (iii) the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor. As at 31 December 2020, the Audit Committee consists of three independent non-executive Directors, namely Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, *B.B.S.*. Mr. Li Lap Keung was the chairman of the Audit Committee.

During the Year, the Audit Committee performed duties including reviewing the financial reports and compliance procedures, the risk management and internal control systems and considering the re-election of auditor of the Company.

The Group's annual results for the Year have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Company and the Group for the Year comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

DIRECTORS' REPORT

AUDITOR

The financial statements for the year ended 31 December 2018, 2019 and 2020 has been audited by Elite Partners, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re- appointment of Elite Partners as auditor of the Company will be proposed at the 2021 AGM.

By order of the Board
Palinda Group Holdings Limited

Huang Wei
Chairlady and executive Director

Hong Kong, 25 March 2021

CORPORATE GOVERNANCE REPORT

The Board has adopted various policies to ensure compliance with the code provisions of the CG Code under Appendix 15 of the GEM Listing Rules. For the Year, the Company has fully complied with all applicable provisions of the CG Code except.

Under the code provision A2.1 of the CG Code, the role of chairman and chief executive (“CEO”) should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established.

Subsequent to the resignation of former CEO, the post has been vacant as at 31 December 2020, the Board will keep reviewing the current structure of the Board from time to time and the Company will make appointment with suitable knowledge, skill and experience to fill the post of the CEO as appropriate.

The Company will continue to enhance its corporate governance appropriate to the conduct and growth of its business and to review its corporate governance from time to time to ensure they comply with the statutory and the CG Code and align with the latest developments.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises five members, of which two are executive Directors namely Ms. Huang Wei (Chairlady) and Mr. Dou Sheng and three are independent non-executive Directors namely Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, *B.B.S.*. Saved as the resigned Directors, each of the Directors’ respective biographical details are set out in the section headed “Biographical Details of the Directors and Senior Management” of this annual report.

The Board included three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise during the year.

CHAIRLADY AND CEO

The roles of the Chairlady and CEO should be separated and should not be performed by the same individual to ensure their respective independence, accountability and responsibility. The Chairlady is responsible for the Group’s strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group’s operations and business development. There is a clear division of responsibilities between the Chairlady and CEO of the Company which provides a balance of power and authority.

Subsequent to the resignation of former CEO, the post has been vacant as at 31 December 2020, the Board will keep reviewing the current structure of the Board from time to time and the Company will make appointment with suitable knowledge, skill and experience to fill the post of the CEO as appropriate.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are appointed for a fixed term of one year commencing from their dates of appointment for which Mr. Li Lap Keung and Mr. So Yat Chuen whose term commenced on 22 February 2019 and Dr Wu Wing Kuen, *B.B.S.*, whose term commenced on 16 January 2019. The appointment can be terminated by either the Company or the independent non-executive Director giving to the other party not less than one month's prior written notice. The Company and the independent non-executive Director shall discuss whether to renew the term of appointment of the independent non-executive Director prior to the expiration of the relevant term of appointment. If either party disagrees with the renewal of the term of appointment of the independent non-executive Director, such party shall notify the other party in writing at least two months prior to the expiration of the relevant term of appointment. Subject to the consent of both parties, the term of appointment of the independent non-executive Director may be renewed automatically for one year on expiry of the initial term and for successive terms of one year each commencing on expiry of the then current term. Also, the independent non-executive Directors are subject to re-election on retirement by rotation at the AGM in accordance with the Articles of Association.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors namely Mr. Li Lap Keung and Mr. So Yat Chuen whose term commenced on 22 February 2019 and Dr Wu Wing Kuen, *B.B.S.*, whose term commenced on 16 January 2019 to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the Year.

ROLE AND FUNCTION OF THE BOARD

The Board is responsible for overall management of the Group's business, which assumes the responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising its affairs.

DELEGATION BY THE BOARD

The Board reserves for its decisions on all major matters of the Group, including the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Group are delegated to the executive Directors and senior management. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the “Board Diversity Policy”) in 2013 and revised in 2018 setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

NOMINATION POLICY

The Company also adopted a nomination policy (The “Nomination Policy”) on 20 December 2018. The purpose of the Nomination Policy is to identify candidates who are suitable to become a member of the Board and to make recommendations to the Board on the selection of candidates nominated for directorships. The Board shall be composed of members with balance of skills, experience and diversity of perspectives appropriate to accomplish the Group’s business development, strategies, operation, challenges and opportunities. The core criteria for selection include gender, age, cultural and education background, professional qualifications, skills, knowledge and industry and regional experience, number of directorship in other listed/public companies and in case of independent non-executive Directors, the number of years they have already served. According to the nomination procedure, the Nomination Committee is responsible for identifying potential new Directors and recommends to the Board for decision. The appointment shall be subject to the approval by the Board in accordance with the Company’s Memorandum and Articles of Association, the GEM Listing Rules and the Nomination Policy.

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interests and business of the Group and such induction materials will also be provided to the newly appointed Directors before their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon request, to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

CORPORATE GOVERNANCE REPORT

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on Directors' training. During the Year, all Directors have participated in continuous professional development by attending seminars/in-house briefing/reading materials to develop and refresh their knowledge and skills and provided a record of training to the Company. These covered a broad range of topics including Directors' duties, corporate governance and recent updates on the GEM Listing Rules.

Name of Directors	Attended seminars, briefing or read materials
Executive Directors	
Ms. Huang Wei	✓
Mr. Dou Sheng	✓
Independent non-executive Directors	
Mr. Li Lap Keung	✓
Mr. So Yat Chuen	✓
Dr Wu Wing Kuen, <i>B.B.S.</i>	✓

BOARD MEETINGS

Notice of at least 14 days have been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of Board meetings and Board committees meetings are kept by duly appointed secretaries of the respective meetings and all Directors have access to Board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

CORPORATE GOVERNANCE REPORT

NUMBER OF MEETINGS AND ATTENDANCE RECORDS

For the Year, 12 Board meetings were held, out of which 4 were regular Board meetings for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group. The attendance records of each Director at the Board meetings and Board committees' Meetings are set out in the table below:

Name of Directors	Board	Meetings attended/Eligible to attend			AGM	EGM
		Audit Committee	Remuneration Committee	Nomination Committee		
Executive Directors						
Ms. Huang Wei	12/12	-	-	-	1/1	1/1
Mr. Dou Sheng	12/12	-	-	-	1/1	1/1
Independent non-executive Directors						
Mr. Li Lap Keung	12/12	4/4	1/1	1/1	1/1	1/1
Mr. So Yat Chuen	12/12	4/4	1/1	1/1	1/1	1/1
Dr. Wu Wing Kuen <i>B.B.S.</i>	12/12	4/4	1/1	1/1	1/1	1/1

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEE

Audit Committee

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. On 30 December 2015 and 20 December 2018, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirement. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Audit Committee, among other things, are to assist the Board in overseeing and reviewing (i) the effectiveness of the Group's risk management and internal control systems and regulatory compliance of the Group; (ii) the integrity of the Company's financial statements and application of accounting standards and significant judgements contained in the financial statements; and (iii) the relationship with the external auditors by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

As at 31 December 2020, the Audit Committee consists of three independent non-executive Directors, namely Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, *B.B.S.*. Mr. Li Lap Keung was the chairman of the Audit Committee. During the Year, 4 meetings of Audit Committee were held for, inter alia, reviewing the Group's quarterly, interim and annual results, the financial reporting and compliance procedures, the risk management and internal control systems and considering the re-election of auditor of the Company.

Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with paragraph B1.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. On 23 March 2012, the Board adopted a set of revised terms of reference of the Remuneration Committee in line with the GEM Listing Rules requirement. The revised terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; and ensure none of the Directors determine their own remuneration. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

CORPORATE GOVERNANCE REPORT

As at 31 December 2020, the Remuneration Committee consists of three independent non-executive Directors, namely Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, *B.B.S.* Mr. So Yat Chuen was the chairman of the Remuneration Committee. Details of the remuneration of Directors are set out in Note 12 to the consolidated financial statements. During the Year, 1 meeting of Remuneration Committee were held for, inter alia, reviewing the remuneration policy and structure and determining the annual remuneration packages of the Directors and the senior management and determining the annual remuneration packages of the newly appointed Directors and senior management, if any.

Nomination Committee

The Company established the Nomination Committee by the Board at the Board meeting held on 23 March 2012 with written terms of reference in compliance with paragraph A5.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. On 23 March 2012, 22 October 2013 and 20 December 2018, the Board adopted a set of the revised terms of reference of the Nomination Committee in line with the GEM Listing Rules requirement. The revised terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Nomination Committee are to make recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

Before the Nomination Committee was established, all Directors are responsible for making recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company. Where vacancies on the Board exist, the Nomination Committee (or the Board before the Nomination Committee was established) will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

As at 31 December 2020, the Nomination Committee consists of three independent non-executive Directors, namely Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, *B.B.S.* Mr. So Yat Chuen was the chairman of the Nomination Committee. During the Year, 1 meeting of Nomination Committee were held for, inter alia, considering the retirement and re-election of the Directors and the appointment of the new Directors and senior management, if any. The Nomination Committee has also reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group has achieved the effectiveness of the Board Diversity Policy during the year.

CORPORATE GOVERNANCE REPORT

Corporate Governance Function

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board at the Board meeting held on 23 March 2012 and is in compliance with paragraph D3.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. During the Year, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions of the Company. Upon the Company's specific enquiry, each Director had confirmed that, they had fully complied with the required standard of dealings and there was no event of non-compliance for the Year.

AUDITOR'S REMUNERATION

For the Year, the fees paid/payable to Elite Partners, the auditor of the Company, and its affiliate companies in respect of audit and non-audit services provided by them to the Group were as follows:

Service rendered	Fees paid/ payable HK\$
Audit services	600,000
Non-audit services:	
Other services	—
Total	<u>600,000</u>

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute assurance against misstatement or loss.

Given the relatively simple corporate and operation structure, the Group currently does not have an internal audit function.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management as well as overseeing the formation, implementation and monitoring of the risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

In addition, the Group engages independent professional advisor to conduct an annual review of the effectiveness of the Group's risk management and internal control system in various material aspects including financial, operational and compliance controls. The risk management report and internal control report are submitted and reviewed by the Audit Committee at least once a year. Summary of findings and recommendations are discussed at the Audit Committee meeting with a view to improve the Group's operations.

For the Year, the Board, through its Audit Committee, is satisfied that the Group's risk management and internal control systems (i) are adequate to meet the needs of the Group in its current business environment; and (ii) comply with the code provisions on internal control as set out in the GEM Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. In preparing the consolidated financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

The statement of external auditor of the Company, Elite Partners, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report.

INVESTOR RELATIONS AND COMMUNICATION

The Board recognises the importance of good communications with all shareholders. The Company encourages two-way communications with both its institutional and private investors. A shareholder's communication policy was adopted by the Board at the Board meeting held on 23 March 2012 aiming at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. Extensive information about the Company's activities is provided in its interim report, quarterly reports and this annual report, which are sent to shareholders of the Company. The AGM provides a valuable forum for direct communication between the Board and the Company's shareholders. The Chairman of the Board as well as Chairmen of the Board Committees together with the auditor will present to answer shareholders' questions. The circular of the AGM is distributed to all shareholders at least 21 clear days before the meeting. Separate resolutions are proposed at general meetings on each separate issue and voting of which are taken by poll pursuant to the GEM Listing Rules. Any results of the poll are published on both the GEM website and the Company's website. All corporate communication with shareholders will be posted on the Company's website for shareholders' information.

CORPORATE GOVERNANCE REPORT

The 2020 AGM was held on 25 May 2020 and 1 EGMs were held on 20 August 2020. Save as the attendance of the Board disclosed under the paragraph headed “Number of Meetings and Attendance Records” above, the auditor also attended the 2020 AGM to answer questions of the shareholders.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company’s head office or by email to enquiry@palinda.com.

DIVIDEND POLICY

Subject to the approval of the shareholders and requirement of the relevant law, the Company shall pay annual dividends to the shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group. The aggregate amount of dividend per year shall not exceed 20% of the consolidated annual net profits (excluding extraordinary items, if any) attributable to the shareholders of the Company, taking into consideration the criteria described below. The remaining net profits will be used for Group’s development and operations. The dividend policy allows the Company to declare special dividends from time to time in addition to the annual dividends.

The Company’s ability to pay dividends will depend upon, among other things, the Group’s current and future operations, financial position, development pipeline, prevailing economic environment, contractual restrictions, capital and other reserve requirements, dividends received from the Company’s subsidiaries and associates/joint ventures, as well as any other conditions or factors which the Board deems relevant and having regard to the directors’ fiduciary duties.

COMPANY SECRETARY

The Company Secretary, Mr. Wong Andy Tze On, was appointed on 5 August 2020. He is responsible for facilitating the Board meeting process, as well as communications among Board members, with shareholders and management. Mr. Wong’s biography is set out in the “Biographical Details of the Directors and Senior Management” section. During the Year, Mr. Wong undertook not less than 15 hours of professional training to update his skills and knowledge.

SHAREHOLDERS’ RIGHT

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Article of Association, an EGM may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary at the head office of the Company at Unit 306-A201, 3/F., Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

CORPORATE GOVERNANCE REPORT

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the Article of Association, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at a General Meeting

A shareholder shall make a written requisition to the Board or the Company Secretary at the head office of the Company at Unit 306-A201, 3/F., Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary at the head office of the Company at Unit 306-A201, 3/F., Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong, or send email to enquiry@palinda.com. Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the Year.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2020

TO THE MEMBERS OF PALINDA GROUP HOLDINGS LIMITED (FORMERLY KNOWN AS "FOOD IDEA HOLDINGS LIMITED")

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Palinda Group Holdings Limited (Formerly known as "Food Idea Holdings Limited") (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 165, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2020

Key audit matter

Business combination

During the year ended 31 December 2020, the Group acquired Win Everest Holdings Limited and its subsidiaries for the consideration of HK\$52,077,000. The total identified net assets acquired amounted to HK\$34,351,000 (including the property, plant and equipment of HK\$65,112,000) and goodwill arising from the acquisition amounted to HK\$768,000.

The accounting for business combinations required a significant amount of management's estimation and judgements, including the fair value measurements of the considerations and the identifiable assets acquired and liabilities assumed and adjustments made to align accounting policies.

Management engaged an independent external valuer to assess the fair value of identifiable assets acquired and liabilities assumed arose at the date of acquisition.

The disclosures of the business combinations are included in note 34 to the consolidated financial statements

How the matter was addressed in our audit

Our procedures in relation to the management's accounting for business combinations included:

- We inspected relevant agreement related to the business combination;
- We assessed the competence, capabilities and objectivity of management's external valuer;
- We obtained the valuation report and discussed with the external valuers the methodologies and the relevant underlying key assumptions used;
- We challenged the reasonableness of key assumptions based on our knowledge of the business and industry;
- We evaluated the historical accuracy and the growth rate of the financial budget used in the discounted cash flows by comparing the historical budget to actual results;
- We tested a selection of data inputs underpinning the cash flow forecasts against appropriate supporting evidence, such as approved budgets, to assess the accuracy and reliability; and
- We assessed whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

Based on the procedures performed above, we considered that the key assumptions used in assessing the fair value of the assets and liabilities of the acquired business (including the identification and valuation of property, plant and equipment) are supported by the evidence obtained.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2020

Key audit matter

Impairment assessment of goodwill

We identified the impairment of goodwill as a key audit matter due to the significance to the consolidated financial statements as a whole and significant judgement involved in the management's assessment process. As disclosed in note 17 to the consolidated financial statements, the net carrying amounts of goodwill at 31 December 2020 were HK\$24,742,000. In estimating the recoverable amount of the cash-generating units to which goodwill have been allocated, the management has made a number of key assumptions in the value in use calculation. The key assumptions include growth rates, discount rates applied and the forecast performance based on management's view of future business prospects.

The disclosures of the goodwill are included in note 17 to the consolidated financial statements

How the matter was addressed in our audit

Our procedures in relation to the impairment of goodwill included:

- We evaluated the independent external valuer's competence, capabilities and objectivity;
- We obtained the valuation report and discussed with the external valuer the methodologies and the relevant underlying key assumptions used;
- We challenged the reasonableness of key assumptions based on our knowledge of the business and industry;
- We evaluated the historical accuracy and the growth rate of the financial budget used in the discounted cash flows by comparing the historical budget to actual results;
- We tested a selection of data inputs underpinning the cash flow forecasts against appropriate supporting evidence, such as approved budgets, to assess the accuracy and reliability; and
- We assessed whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

Based on the procedures performed above, we found that judgement made by management were supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2020

Key audit matter

Impairment of property, plant and equipment

We identified the impairment assessment of property, plant and equipment as key audit matter due to the significant judgement involved by the management in impairment assessment. As disclosed in note 14 to the consolidated financial statements, the carrying amounts of property, plant and equipment at 31 December 2020 were HK\$57,122,000.

For the impairment assessment, the Group appointed an independent external valuer to assess the recoverable amount of property, plant and equipment.

The disclosures of property, plant and equipment are included in note 14 to the consolidated financial statements.

How the matter was addressed in our audit

Our major audit procedures to address this matter included the following:

- We assessed the value-in-use calculation methodology used and the appropriateness of the key assumptions adopted in the value-in-use calculation.
- We obtained the valuation report and discussed with the external valuer the methodologies and the relevant underlying key assumptions used;
- We discussed with management whether any impairment indicator exists and basis for the impairment recognised;
- We challenged the reasonableness of key assumptions based on our knowledge of the business and industry;
- We checked on sampling basis, the accounting and relevance of the input data used; and
- We evaluated the competency of the independent external valuer taking account its experience and qualifications.

Based on the procedures performed above, we considered that the key assumptions used in assessing the carrying value of property, plant and equipment are supported by the evidence obtained.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2020

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Our 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, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2020

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

We communicate with those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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.

The engagement partner on the audit resulting in this independent auditor's report is Siu Jimmy with Practising Certificate number P05898.

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong,
25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Continuing operations			
Revenue	6	152,511	230,692
Other income	7	7,405	1,195
Cost of inventories consumed		(23,448)	(51,689)
Cost of sales		(85,675)	(90,245)
Employee benefits expenses	8	(34,893)	(44,338)
Other losses, net	8	(16,125)	(12,169)
Gain on disposal of financial assets at fair value through profit or loss, net		–	7,771
Loss on fair value of financial assets at fair value through profit or loss, net		–	(5,356)
Share option expenses to eligible person other than employees	8	(1,469)	(2,128)
Administrative expenses		(24,374)	(44,739)
Share of loss of associates		–	(3,755)
Finance costs	9	(6,305)	(8,295)
Loss before tax	8	(32,373)	(23,056)
Income tax credit/(expenses)	10	2,917	(835)
Loss for the year from continuing operations		(29,456)	(23,891)
Discontinued operation			
Loss for the year from discontinued operation		(8,592)	(29,442)
Loss for the year		(38,048)	(53,333)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Other comprehensive income (expenses) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,121	95
Share of foreign currency translation reserve of associates		–	(46)
Reclassification of foreign currency translation reserve upon disposal of subsidiaries		8,605	(40)
		9,726	9
Total comprehensive expenses for the year		(28,322)	(53,324)
Loss for the year attributable to owners of the Company:			
From continuing operations		(25,120)	(23,980)
From discontinued operation		(8,592)	(29,442)
		(33,712)	(53,422)
(Loss)/profit for the year attributable to non-controlling interest:			
From continuing operations		(4,336)	89
From discontinued operation		–	–
		(4,336)	89
		(38,048)	(53,333)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(23,986)	(53,413)
Non-controlling interests		(4,336)	89
		(28,322)	(53,324)
Loss per share		2020	2019
Basic and diluted (HK cent)	13		
From continuing operations		(4.61)	(7.41)
From discontinued operation		(1.58)	(9.10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	14	57,122	1,226
Right-of-use assets	15	1,066	1,945
Investment properties	16	–	25,488
Goodwill	17	24,742	27,192
Interest in associates	18	–	4,071
Interests in joint ventures		–	–
Deferred tax assets		–	–
		82,930	59,922
Current assets			
Inventories	19	338,921	307,990
Biological assets	20	216	–
Loan and interest receivables	21	–	2,484
Trade receivables	22	32,846	44,573
Prepayments, deposits and other receivables	22	4,162	60,479
Loan to an associate		–	3,000
Amounts due from associates		–	3
Income tax recoverable		1,948	–
Bank balances and cash	23	7,917	4,079
		386,010	422,608
Current liabilities			
Trade payables	24	589	9,179
Other payables, accruals and deposits received	24	16,795	16,559
Income tax payable		–	1,633
Borrowings	25	69,537	14,981
Promissory notes	26	–	5,147
Lease liabilities	27	760	1,082
		87,681	48,581
Net current assets		298,329	374,027
Total assets less current liabilities		381,259	433,949

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Promissory notes	26	5,654	74,141
Lease liabilities	27	387	852
Deferred tax liabilities	28	12,195	–
		18,236	74,993
Net assets			
		363,023	358,956
Capital and reserves			
Share capital	29	58,658	41,493
Reserves		309,666	318,825
		368,324	360,318
Equity attributable to owners of the Company		(5,301)	(1,362)
Non-controlling interests			
Total equity		363,023	358,956

The consolidated financial statements on pages 47 to 165 were approved and authorised for issue by the board of directors on 25 March 2021 and are signed on its behalf by:

HUANG WEI
Director

DOU SHENG
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> <i>(Note (i))</i>	Share options reserve <i>HK\$'000</i> <i>(Note (ii))</i>	Capital reserve <i>HK\$'000</i> <i>(Note (iii))</i>	Other reserve <i>HK\$'000</i> <i>(Note (iv))</i>	Foreign currency translation reserve <i>HK\$'000</i> <i>(Note (v))</i>	Accumulated losses <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2020	41,493	663,838	-	106	(182)	(8,605)	(336,332)	360,318	(1,362)	358,956
Loss for the year	-	-	-	-	-	-	(33,712)	(33,712)	(4,336)	(38,048)
Other comprehensive expenses for the year										
Reclassification of foreign currency translation reserve upon disposal of subsidiary	-	-	-	-	-	8,605	-	8,605	-	8,605
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,121	-	1,121	-	1,121
Total comprehensive (expense) income for the year	-	-	-	-	-	9,726	(33,712)	(23,986)	(4,336)	(28,322)
Issue of consideration shares	6,300	7,560	-	-	-	-	-	13,860	-	13,860
Recognition of equity-settled share based payments <i>(Note 30)</i>	-	-	1,629	-	-	-	-	1,629	-	1,629
Exercise of share option	5,332	2,962	(1,629)	-	-	-	-	6,665	-	6,665
Issue of new shares by placing	5,533	4,426	-	-	-	-	-	9,959	-	9,959
Placing expenses	-	(121)	-	-	-	-	-	(121)	-	(121)
Disposal of subsidiaries <i>(Note 35)</i>	-	-	-	-	182	-	(182)	-	-	-
Deregistration of subsidiary	-	-	-	-	-	-	-	-	397	397
At 31 December 2020	58,658	678,665	-	106	-	1,121	(370,226)	368,324	(5,301)	363,023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> <i>(Note (i))</i>	Share options reserve <i>HK\$'000</i> <i>(Note (ii))</i>	Capital reserve <i>HK\$'000</i> <i>(Note (iii))</i>	Other reserve <i>HK\$'000</i> <i>(Note (iv))</i>	Foreign currency translation reserve <i>HK\$'000</i> <i>(Note (v))</i>	Accumulated losses <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2019	21,279	618,040	1,276	106	(182)	(8,614)	(282,910)	348,995	(1,608)	347,387
(Loss)/Profit for the year	-	-	-	-	-	-	(53,422)	(53,422)	89	(53,333)
Other comprehensive expenses for the year										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	95	-	95	-	95
Share of foreign currency translation reserve of an associate	-	-	-	-	-	(46)	-	(46)	-	(46)
Reclassification of foreign currency translation reserve upon disposal of subsidiaries	-	-	-	-	-	(40)	-	(40)	-	(40)
Total comprehensive (expense) income for the year	-	-	-	-	-	9	(53,422)	(53,413)	89	(53,324)
Issue of consideration shares	4,255	14,044	-	-	-	-	-	18,299	-	18,299
Issue of new shares upon rights issue	4,614	6,829	-	-	-	-	-	11,443	-	11,443
Placing of unsubscribed rights shares	9,217	13,641	-	-	-	-	-	22,858	-	22,858
Recognition of equity-settled share based payments <i>(Note 30)</i>	-	-	2,979	-	-	-	-	2,979	-	2,979
Issue of shares upon exercise of share options <i>(Note 30)</i>	2,128	12,546	(4,255)	-	-	-	-	10,419	-	10,419
Share issuing expenses	-	(1,262)	-	-	-	-	-	(1,262)	-	(1,262)
Non-controlling interests arising from business combination	-	-	-	-	-	-	-	-	132	132
Disposal of subsidiaries <i>(Note 35)</i>	-	-	-	-	-	-	-	-	25	25
At 31 December 2019	41,493	663,838	-	106	(182)	(8,605)	(336,332)	360,318	(1,362)	358,956

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2020

Notes:

- (i) Share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company which is governed by the Cayman Companies Law.
- (ii) Share options reserve comprises the fair value of share options granted which are yet to be exercised. The amount will be transferred to accumulated losses when the related options are exercised, expired or forfeited.
- (iii) Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the group reorganisation.
- (iv) Other reserve represents share of other reserve of an associate.
- (v) Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are currency other than Hong Kong dollar.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

NOTES	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES		
Loss before tax		
From continuing operations	(32,373)	(23,056)
From discontinuing operation	(8,592)	(29,442)
	(40,965)	(52,498)
Adjustments for:		
Gain on disposal of financial assets at fair value through profit or loss, net	–	(7,771)
Loss on fair value of financial assets at fair value through profit or loss, net	–	5,356
Depreciation of property, plant and equipment	1,621	835
Depreciation of right-of-use assets	1,011	304
Depreciation of investment properties	332	679
Gain on early termination of lease liabilities	(5)	–
Share of loss of associates	–	32,358
Impairment loss on goodwill	3,218	9,980
Impairment loss on amounts due from associates	–	771
Impairment loss on amounts due from joint ventures	–	26
Impairment loss on property, plant and equipment	8,452	–
Loss on early redemption of promissory notes	3,946	4,906
Loss on deregistration of subsidiary	288	–
Loss on early termination of promissory note	4,264	–
Share option expenses to employees	160	851
Share option expenses to eligible person other than employee	1,469	2,128
Finance costs	6,305	8,295
Loss (gain) on disposal of subsidiaries	3,543	(1,510)
Gain on disposal of associates	(4)	(1,286)
Gain on disposal of a joint venture	–	(117)
Loss on disposal of property, plant and equipment	930	5
Provision for impairment on loan and interest receivables	–	85
Provision for impairment of trade receivables	84	80
Interest income on debt instruments at amortised cost	(124)	(184)
Bank interest income	(43)	(7)
Operating cash flows before movements in working capital	(5,518)	3,286
Increase in inventories	(30,092)	(3,224)
Decrease in loan and interest receivables	78	52,648
Increase in biological asset	(49)	–
Decrease (increase) in trade receivables	12,365	(21,390)
Decrease in prepayments, deposits and other receivables	4,698	2,927
Decrease in financial assets at fair value through profit or loss	–	10,934
(Decrease) Increase in trade payables	(9,563)	2,244
Increase (decrease) in other payables, accruals and deposits received	9,322	(969)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Cash (used in) generated from operations		(18,759)	46,456
Interest paid		(3,118)	(855)
Income tax paid		(3,407)	(2,235)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(25,284)	43,366
INVESTING ACTIVITIES			
Net cash outflow from acquisition of subsidiaries	34	(4,531)	2,525
Net cash inflow on disposal of subsidiaries	35	27,778	12,901
Net cash inflow on disposal of an associate		–	4,000
Purchase of property, plant and equipment		(1,787)	(244)
Proceeds from disposal of property, plant and equipment		–	53
Deposit paid for acquisition of a subsidiary		–	(5,000)
Repayment from associates		3,003	121
Purchase of right-of-use asset		(10)	–
Bank interest received		43	7
NET CASH GENERATED FROM INVESTING ACTIVITIES		24,496	14,363
FINANCING ACTIVITIES			
Repayment of borrowings		(5,542)	(13,703)
Issue of promissory notes		–	28,616
Repayment of promissory notes, including interest		(66,555)	(116,034)
Payment of lease liabilities		(1,000)	(325)
Proceeds from issue of new shares upon placing		9,959	11,443
Proceeds from placing of unsubscribed rights shares		–	22,858
Proceed from borrowings		66,000	–
Exercise of share options		6,665	10,419
Share issuing expenses		(121)	(1,262)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		9,406	(57,988)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,618	(259)
Cash and cash equivalents at the beginning of the year		(1,822)	(1,658)
Effect of foreign exchange rate changes		1,121	95
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR		7,917	(1,822)
Analysis of cash and cash equivalents at the end of the year			
Bank balances and cash		7,917	4,079
Bank overdrafts		–	(5,901)
		7,917	(1,822)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Palinda Group Holdings Limited (formerly known as “Food Idea Holdings Limited”) (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 10 February 2011 under the Companies Law (2010 Revision) of the Cayman Islands. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 8 July 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Unit 306-A201, 3/F, Harbour Centre, Tower 1, 1 Hok Cheung Street, Hungghom, Kowloon, Hong Kong.

The Company’s principal activity is investment holding. The principal activities of its subsidiaries (together with the Company referred to as the “Group”) are trading of wine products and grapes, production, sales and distribution of food products, investment in securities, provision of money lending business and operation of a chain of catering restaurants.

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 indicated.

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

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

The Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institution of Certified Public (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

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

(B) New and Amendments to HKFRSs in issue but not yet effective

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

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

(B) New and Amendments to HKFRSs in issue but not yet effective (Continued)

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(a) *Amendment to HKFRS 16 Covid-19-Related Rent Concessions*

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company (i) has power over the investee; (ii) is exposed, or rights, to variable returns from its involvement with the investee; and (iii) has the ability to use its power to affect its returns.

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and 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 attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for lease for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease which compared with market terms.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

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

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting periods and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting periods in accordance with HKFRS 9 *Financial Instruments*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

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

Investments in associates

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

The results and assets and liabilities of associates is incorporated in these consolidated financial statements using the equity method. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group's for like transactions and events in similar circumstances. Under the equity method, investments in associates and joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of associates. When the Group's share of losses of an associate or equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

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

When the Group ceased to have significant influence over an associate over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest in fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate. In addition, the Group accounts for all amount previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate or joint venture had directly disposed of that related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets and liabilities.

Gains and losses resulting from transactions between the Group and its associate is recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contract with customers

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contract with customers (Continued)

Performance obligations for contracts with customers

Revenue from sales and distribution of food products and sales of grapes, wine and ancillary wine-related products

Revenues from sales and distribution of food products and sales of grapes, wine and ancillary wine-related products are recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Catering services income

Revenue from restaurant operation is recognised when the catering services are rendered to customers. Receipts in respect of services that have not been rendered are deferred and recognised as deposits received in the consolidated statement of financial position.

Money lending

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Definition of a lease

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

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

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Lease for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lease, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and such costs are recognised as expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

Borrowing costs

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

Share Base Payment

Equity-settled share-based payments transactions

Share options granted to employees

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

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

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs (Continued)

Share Base Payment (Continued)

Equity-settled share-based payments transactions (Continued)

Shares/Share options granted to non-employees

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Employee benefits

(a) Retirement benefit schemes

Payments to the Mandatory Provident Fund Scheme (the “MPF Scheme”) are recognised as an expense when employees have rendered services entitling them to the contributions. The Group operates an MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, with the employers’ contributions subject to a cap of monthly relevant income of HK\$30,000. The Group’s contributions to the scheme are expensed as incurred and vested in accordance with the scheme’s vesting scales. Where employees leave the scheme prior to the full vesting of the employer’s contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(b) Employee entitlements

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Biological assets

Biological assets comprise grapes before harvest in leased farms and are classified as current assets due to the short development period prior to harvest.

Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and no reliable alternative estimates exist to determine fair value, in which case the assets are held at growing cost incurred less impairment losses.

Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell and changes in fair value are recognised in the consolidated statement of profit or loss for the period in which it arises.

Biological assets that meet the definition of bearer plants (i.e., grapevines) are within the scope of HKAS 16 Property, Plant and Equipment. Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. After initial recognition, bearer plants are measured at accumulated cost less any impairment before maturity. Subsequently when the bearer plants are mature, they are measured at cost, less any subsequent accumulated depreciation and impairment, with changes recognised in profit or loss.

The grapevines are presented and accounted for as bearer plants, see “property, plant and equipment”. However, the fresh fruit bunches growing on the grapevines are accounted for as biological assets until the point of harvest. Harvested grapes are transferred to inventories at fair value less costs to sell when harvested. Fair value at the point of harvest is based on the selling prices for similar fruits prevailing in the market as at or close to the harvest dates.

Costs to sell include the incremental selling costs, including auctioneers’ fees, commission paid to brokers and dealers and estimated costs of transport to the market but exclude finance costs and income taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Freehold land are not depreciated and are measured at cost less subsequent accumulated impairment loss.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of property, plant and equipments, right-of-use assets and intangible asset other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible asset with finite useful live to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of property, plant and equipments, right-of-use assets and intangible asset other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases 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 and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income 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, to the net carrying amount on initial recognition.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

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

A financial asset is held for trading if:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment on financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (i) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (ii) 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.

The Group has elected to measure loss allowances for trade receivables and loan and interest receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, 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 be 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.

(i) Definition of default

The Group considers that default has occurred when: (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment on financial assets (Continued)

(ii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in case of trade receivables, when the amounts are over 1 year past due, whichever occur sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Impairment on financial assets (Continued)

(iv) Measurement and recognition of ECL

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

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

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, borrowings, promissory notes and lease liabilities are subsequently measured at amortised cost, 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.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only 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.

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

Financial liabilities are derecognised when, and only when, the Group's obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

Related parties

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

- (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 of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (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 Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close family members 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.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 4 to the consolidated financial statements, 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 based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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.

Critical judgement in applying accounting policies

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

Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to office and retail shops. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affect the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Determination on lease term of contracts with renewal options (Continued)

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's need).

During the year ended 31 December 2020 and 2019, the Group did not exercise any of its renewal options in respect of the leases.

Key sources of estimation uncertainty

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

Useful lives and impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation or amortisation and identified impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the asset belongs. Changing the assumptions and estimates, including discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2020, the carrying amounts of property and plant and equipment, right-of-use assets are approximately HK\$57,122,000, HK\$1,066,000 and nil (2019: HK\$1,226,000 and 1,945,000) respectively. An impairment loss on property, plant and equipment of approximately HK\$8,452,000 (2019: Nil) was recognised in respect of property, plant and equipment during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2020, the carrying amount of goodwill was approximately HK\$24,742,000 (2019: HK\$27,192,000). An impairment loss on goodwill of approximately HK\$3,218,000 (2019: HK\$9,980,000) was recognised during the year ended 31 December 2020. Details of the impairment assessment are set at in note 17 to the consolidated financial statements.

Impairment of financial assets at amortised cost

The Group's financial assets at amortised cost are assessed for impairment based on the ECL model required by HKFRS 9. The assessment made by management has taken into account relevant historical information adjusted for forward looking information available to management at the date of assessment (to the extent that such information is reasonable and supportable without undue cost or effort). Management has exercised judgment in estimating the amount of ECL. If the actual outcome is different from management's estimate, an additional impairment loss or reversal of impairment loss may arise.

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION

Information reported by the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold or services rendered which is also consistent with the basis of organisation of the Group. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (i) Wine business – the operation of sales and distribution of wine products and grapes
- (ii) Food products operations – The production, sales and distribution of food products, such as barbequed food and Taiwanese Lou Mei
- (iii) Investments – Investment in securities
- (iv) Money lending – The provision of money lending business
- (v) Catering services – The operation of a chain of catering restaurants

Segment turnover, revenue and results

Segment revenue represents revenue derived from the provision of catering services, sales of food products, gross proceeds from the disposal of investments (for segment turnover only), dividend income and interest income from both the financial assets at FVTPL and the provision of money lending business and sales and distribution of wine products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment turnover, revenue and results (Continued)

The following is an analysis of the Group's turnover, revenues and results by reportable and operating segments.

For the year ended 31 December 2020

	Continuing operations				Discontinued Operation		Total HK\$'000
	Wine Business HK\$'000	Food Products Operation HK\$'000	Investments HK\$'000	Money Lending HK\$'000	Catering Services HK\$'000	Unallocated HK\$'000	
Segment revenue	96,642	55,820	-	49	-	-	152,511
Segment result	1,665	(14,053)	-	(43)	-	-	(12,431)
Unallocated income	-	-	-	-	-	10,026	10,026
Unallocated expenses	-	-	-	-	-	(15,124)	(15,124)
Share option expenses	-	-	-	-	-	(1,629)	(1,629)
(Loss)/gain on disposal of subsidiaries	-	-	-	-	(8,592)	5,048	(3,544)
Loss on deregistration of subsidiary	-	-	-	-	-	(288)	(288)
Impairment loss on property, plant and equipment	(8,452)	-	-	-	-	-	(8,452)
Impairment loss on goodwill	(3,218)	-	-	-	-	-	(3,218)
Finance costs	(2,799)	(263)	-	-	-	(3,243)	(6,305)
Loss before tax	-	-	-	-	-	-	(40,965)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment turnover, revenue and results (Continued)

For the year ended 31 December 2019

	Continuing operations				Discontinued Operation	Unallocated HK\$'000	Total HK\$'000
	Wine Business HK\$'000	Food Products Operation HK\$'000	Investments HK\$'000	Money Lending HK\$'000	Catering Services HK\$'000		
Segment revenue	109,740	119,062	-	1,890	-	-	230,692
Segment result	10,273	(2,673)	2,596	1,652	(68)	-	11,780
Unallocated income	-	-	-	-	-	4,147	4,147
Unallocated expenses	-	-	-	-	-	(14,042)	(14,042)
Share option expenses	-	-	-	-	-	(2,979)	(2,979)
Share of associates	-	-	-	-	(28,603)	(3,755)	(32,358)
Impairment loss on amounts due from associates	-	-	-	-	(771)	-	(771)
Impairment loss on goodwill	(9,980)	-	-	-	-	-	(9,980)
Finance costs	(3,375)	(226)	-	-	-	(4,694)	(8,295)
Loss before tax	-	-	-	-	-	-	(52,498)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment turnover, revenue and results (Continued)

Disaggregation of revenue from contracts with customers:

	Continuing operations				Discontinued operation		Total HK\$'000
	Wine Business HK\$'000	Food Products Operation HK\$'000	Investments HK\$'000	Money Lending HK\$'000	Catering Services HK\$'000	Unallocated HK\$'000	
Year ended							
31 December 2020							
Types of goods or services							
Sales and distribution of wine products	95,712	-	-	-	-	-	95,712
Sales of ancillary wine-related products	930	-	-	-	-	-	930
Sales and distribution of food products	-	55,820	-	-	-	-	55,820
Revenue from contracts with customers	96,642	55,820	-	-	-	-	152,462
Loan interest income under effective interest rate	-	-	-	49	-	-	49
Segment revenue	96,642	55,820	-	49	-	-	152,511
Sales channel							
Retail	4,921	55,820	-	-	-	-	60,741
Wholesale	91,721	-	-	-	-	-	91,721
Revenue from contracts with customers	96,642	55,820	-	-	-	-	152,462

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment turnover, revenue and results (Continued)

	Continuing operations				Discontinued operation		Total HK\$'000
	Wine Business HK\$'000	Food Products Operation HK\$'000	Investments HK\$'000	Money Lending HK\$'000	Catering Services HK\$'000	Unallocated HK\$'000	
Year ended							
31 December 2019							
Types of goods or services							
Sales and distribution of wine products	109,410	-	-	-	-	-	109,410
Sales of ancillary wine-related products	330	-	-	-	-	-	330
Sales and distribution of food products	-	119,062	-	-	-	-	119,062
Revenue from contracts with customers	109,740	119,062	-	-	-	-	228,802
Loan interest income under effective interest rate	-	-	-	1,890	-	-	1,890
Segment revenue	109,740	119,062	-	1,890	-	-	230,692
Sales channel							
Retail	5,673	119,062	-	-	-	-	124,735
Wholesale	104,067	-	-	-	-	-	104,067
Revenue from contracts with customers	109,740	119,062	-	-	-	-	228,802

All of the Group's revenue from contracts with customers are recognised at a point in time.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4 to the consolidated financial statements. Segment result represents the profit earned/(loss suffered) by each segment without allocation of other income, certain other losses, central administrative costs, share option expenses to employees and eligible person other than employees, share of loss of associates/joint ventures, impairment loss on goodwill and finance costs. This is the measure reported by the CODM for the purposes of resource allocation and performance assessments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	Continuing operations				Discontinued operation		Total HK\$'000
	Wine Business HK\$'000	Food Products Operation HK\$'000	Investments HK\$'000	Money Lending HK\$'000	Catering Services HK\$'000	Unallocated HK\$'000	
As at 31 December 2020							
ASSETS							
Segment assets	459,433	5,647	-	-	-	-	465,080
Unallocated corporate assets	-	-	-	-	-	3,860	3,860
Consolidated total assets							468,940
LIABILITIES							
Segment liabilities	79,185	16,908	-	-	-	-	96,093
Promissory notes	-	-	-	-	-	5,654	5,654
Unallocated corporate liabilities	-	-	-	-	-	4,170	4,170
Consolidated total liabilities							105,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	Continuing operations				Discontinued operation	Unallocated HK\$'000	Total HK\$'000
	Wine Business HK\$'000	Food Products Operation HK\$'000	Investments HK\$'000	Money Lending HK\$'000	Catering Services HK\$'000		
As at 31 December 2019							
ASSETS							
Segment assets	422,469	16,783	-	2,484	-	-	441,736
Interests in associate	-	-	-	-	-	4,071	4,071
Loan to an associate	-	-	-	-	3,000	-	3,000
Amount due from associate	-	-	-	-	-	3	3
Unallocated corporate assets	-	-	-	-	-	33,720	33,720
Consolidated total assets							482,530
LIABILITIES							
Segment liabilities	8,149	18,133	-	45	109	-	26,436
Promissory notes	44,995	-	-	-	-	34,293	79,288
Unallocated corporate liabilities	-	-	-	-	-	17,850	17,850
Consolidated total liabilities							123,574

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, investment properties, deferred tax assets, certain prepayments, deposits and other receivables certain amounts due from associates/joint ventures, income tax recoverable, certain bank balances and cash and other assets that cannot be allocated to a specific segment; and
- all liabilities are allocated to operating segments other than income tax payable, certain borrowings, promissory notes, certain lease liabilities deferred tax liabilities and other liabilities that cannot be allocated to a specific segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong (place of domicile) and Australia.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets (Note)	
	For the year ended 31 December		As at 31 December	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong (place of domicile)	151,581	230,692	25,971	59,922
Australia	930	–	56,959	–
	152,511	230,692	82,930	59,922

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

Amount included in the measure of segment result or segment assets:

	Continuing operations				Discontinued operation	Unallocated HK\$'000	Total HK\$'000
	Wine Business HK\$'000	Food Products Operation HK\$'000	Investments HK\$'000	Money Lending HK\$'000	Catering Services HK\$'000		
As at 31 December 2020							
Additions to non-current assets <i>(Note)</i>	-	-	-	-	-	-	-
Depreciation of property, plant and equipment	1,433	150	-	-	-	38	1,621
Depreciation of right-of-use assets	722	289	-	-	-	-	1,011
Impairment loss on goodwill	3,218	-	-	-	-	-	3,218
Provision for impairment on trade receivables	84	-	-	-	-	-	84
Impairment loss on property, plant and equipment	8,452	-	-	-	-	-	8,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	Continuing operations				Discontinued operation		Total HK\$'000
	Wine Business HK\$'000	Food Products Operation HK\$'000	Investments HK\$'000	Money Lending HK\$'000	Catering Services HK\$'000	Unallocated HK\$'000	
As at 31 December 2019							
Additions to non-current assets (Note)	38,705	1,352	–	–	–	60	40,117
Depreciation of property, plant and equipment	302	730	–	–	–	786	1,818
Depreciation of right-of-use assets	–	–	–	–	–	–	–
Impairment loss on goodwill	9,980	–	–	–	–	–	9,980
Provision for impairment on loan and interest receivables	–	–	–	85	–	–	85
Provision for impairment on trade receivables	80	–	–	–	–	–	80
Loss on fair value of financial assets at FVTPL, net	181	–	5,175	–	–	–	5,356
Gain on disposal of financial assets at FVTPL, net	–	–	(7,771)	–	–	–	(7,771)

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:

	Continuing operations				Discontinued operation		Total HK\$'000
	Wine Business HK\$'000	Food Products Operation HK\$'000	Investments HK\$'000	Money Lending HK\$'000	Catering Services HK\$'000	Unallocated HK\$'000	
Year ended							
31 December 2020							
Interest income	(132)	–	–	–	–	(35)	(167)
Finance costs	2,799	263	–	–	–	3,243	6,305
Income tax (credit)	(2,917)	–	–	–	–	–	(2,917)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Year ended	Continuing operations				Discontinued operation	Unallocated	Total
	Wine Business	Food Products Operation	Investments	Money Lending	Catering Services		
31 December 2019	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	(3)	(2)	–	–	(179)	(7)	(191)
Finance costs	3,375	226	–	–	–	4,694	8,295
Income tax expenses	825	10	–	–	–	–	835

Note: Non-current assets excluded financial instruments and deferred tax assets.

7. OTHER INCOME

	2020	2019
	HK\$'000	HK\$'000
Continuing operations		
Bank interest income	43	7
Interest income on debt instruments at amortised cost	124	184
Management fee income	1,129	120
Consultancy fee income	–	125
Rental income (Note)	161	642
Sundry income	195	117
Government grants	5,753	–
	7,405	1,195

Note: No direct operating expenses incurred for investment properties that generated rental income during the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

8. LOSS BEFORE TAX

	2020 HK\$'000	2019 HK\$'000
Continuing Operations		
Loss before tax has been arrived at after (crediting) charging:		
Other losses, net		
Gain on disposal of subsidiaries	(5,048)	(1,510)
Gain on disposal of associates	(4)	(1,286)
Gain on disposal of a joint venture	–	(117)
Loss on disposal of property, plant and equipment	930	5
Loss on deregistration of subsidiary	288	–
Provision for impairment on loan and interest receivables	–	85
Provision for impairment on trade receivables	84	80
Gain on early termination of lease liabilities	(5)	–
Impairment loss on goodwill	3,218	9,980
Impairment loss of property, plant and equipment	8,452	–
Impairment loss on amounts due from joint ventures	–	26
Loss on early redemption of promissory notes	3,946	4,906
Loss on early termination of promissory notes	4,264	–
	16,125	12,169
Employee benefits expenses (including directors' and chief executive's emoluments)		
Salaries, wages and other benefits	33,439	41,808
Share option expenses to employees	160	851
Contributions to retirement benefits schemes – defined contribution plan	1,294	1,679
	34,893	44,338
Share option expenses to eligible person other than employees	1,469	2,128
Auditor's remunerations for:		
– audit services	600	1,177
– non-audit services	–	925
	600	2,102
Depreciation of property, plant and equipment	1,621	835
Depreciation of investment properties	332	679
Depreciation of right-of-use of assets	1,011	304
Expenses relating to short-term lease and low-value lease upon application of HKFRS 16	1,945	3,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

9. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Continuing Operations		
Interests on borrowings	3,117	855
Interests on promissory notes (Note 26)	3,092	7,391
Interest on lease liabilities	96	49
	6,305	8,295

10. INCOME TAX (CREDIT)/EXPENSES

	2020 HK\$'000	2019 HK\$'000
Continuing Operations		
Current income tax – Hong Kong:		
Current year provision	–	824
Over provision in prior years	(20)	(18)
	(20)	806
Deferred tax:		
(Credit)/Charge for year (Note 28)	(2,897)	29
	(2,917)	835

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the provision for Hong Kong Profits Tax for the years ended 31 December 2020 and 2019 is calculated in accordance with the two-tiered tax regime.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

10. INCOME TAX (CREDIT)/EXPENSES

The income tax expenses for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK\$'000	2019 HK\$'000
Loss before tax	(32,373)	(52,498)
Tax at the tax rates applicable to the jurisdiction concerned	(5,342)	(8,673)
Tax relief on 8.25% on first HK\$2 million of assessable profits	–	(163)
Tax effect of income not taxable for tax purpose	(1,811)	(1,553)
Tax effect of expenses not deductible for tax purpose	4,210	5,907
Tax effect of deductible temporary differences not recognised	(178)	336
Tax effect of share of results of associates and joint ventures	–	5,339
Tax effect of estimated tax losses not recognised	224	111
Tax effect of utilisation of estimated tax losses not recognised	–	(451)
Over-provision in prior years	(20)	(18)
Income tax (credit)/expenses for the year	(2,917)	835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

	Fees		Salaries, other benefits		Contributions to retirement Benefits scheme - defined contribution plan		Discretionary bonus		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:										
Ms. Huang Wei (Note (f))	-	-	240	100	-	5	-	-	240	105
Mr. Dou Sheng (Note (h))	-	-	186	18	-	1	-	-	186	19
Mr. Yu Ka Ho (Note (i))	-	-	-	860	-	15	-	-	-	875
Mr. Wong Hoi Yu (Note (g))	-	-	-	90	-	4	-	-	-	94
Independent non-executive directors:										
Mr. Li Lap Keung (Note (d))	120	103	-	-	-	-	-	-	120	103
Mr. So Yat Chuen (Note (d))	120	103	-	-	-	-	-	-	120	103
Dr. Wu Wing Kuen B.B.S. (Note (d))	120	115	-	-	-	-	-	-	120	115
Mr. Chu Sin Bun Jacky (Note (a))	-	9	-	-	-	-	-	-	-	9
Mr. Kwan Wai Yin, William (Note (c))	-	3	-	-	-	-	-	-	-	3
Mr. Tam Lok Hang (Note (e))	-	9	-	-	-	-	-	-	-	9
	360	342	426	1,068	-	25	-	-	786	1,435

Notes:

- (a) Resigned on 22 February 2019
- (b) Appointed on 16 January 2019
- (c) Resigned on 16 January 2019
- (d) Appointed on 22 February 2019
- (e) Resigned on 22 February 2019
- (f) Appointed on 12 August 2019
- (g) Resigned on 30 September 2019
- (h) Appointed on 24 October 2019
- (i) Resigned on 24 October 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five highest paid individuals included two directors (2019: one), who resigned as director of the Company during the year ended 31 December 2019 and had been redesignated as employee of the Group, and details of whose emoluments are set out above. Details of the emoluments of the remaining four (2019: four) highest paid individuals were as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	1,229	2,348
Contributions to retirement benefits scheme – defined contribution plan	–	182
Discretionary bonus	–	74
Share option expenses	–	851
	1,229	3,455

Their emoluments were within the following bands:

	2020	2019
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	–	1
	4	4

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the five highest paid individuals, directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office. No other directors, the chief executive or the five highest paid individuals waived or agreed to waive any emoluments paid by the Group.

The remuneration of the directors and the chief executive is determined by the remuneration committee having regard to the performance of individual and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

12. DIVIDENDS

No dividend was paid or proposed by the Company during the year ended 31 December 2020 nor has any dividend been proposed since the end of the reporting period (2019: nil).

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share, being loss for the year attributable to the owners of the Company		
– From continuing operations	(25,120)	(23,980)
– From discontinued operation	(8,592)	(29,442)
	(33,712)	(53,422)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	545,125,166	323,601,843

The calculation of basic and diluted loss per share for the years ended 31 December 2020 and 2019 is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares.

The computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in loss per share for the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Leasehold land and building HK\$'000	Leasehold improvements HK\$'000	Air- conditioning HK\$'000	Equipment and kitchen utensils HK\$'000	Furniture and fixtures HK\$'000	Bearer Plant HK\$'000	Total HK\$'000
COST								
At 1 January 2019	-	12,161	2,874	178	1,973	-	-	17,186
Acquisition through business combinations (Note 34)	-	-	-	-	57	395	-	452
Additions	-	-	-	-	242	2	-	244
Written-offs/disposals	-	-	-	-	(82)	-	-	(82)
Disposal of subsidiaries (Note 35)	-	(12,161)	(307)	(2)	(9)	-	-	(12,479)
At 31 December 2019 and at 1 January 2020	-	-	2,567	176	2,181	397	-	5,321
Acquisition through business combinations (Note 34)	40,553	22,709	-	-	-	-	1,850	65,112
Additions	-	-	-	-	1,787	-	-	1,787
Written-offs/disposals	-	-	-	-	(2,463)	-	-	(2,328)
At 31 December 2020	40,553	22,709	2,567	176	1,505	397	1,850	69,757
ACCUMULATED DEPRECIATION/ ACCUMULATION IMPAIRMENT								
At 1 January 2019	-	254	2,329	29	1,082	-	-	3,694
Provided for the year	-	76	307	34	311	107	-	835
Eliminated on written-offs/disposals	-	-	-	-	(24)	-	-	(24)
Disposal of subsidiaries (Note 35)	-	(330)	(69)	(2)	(9)	-	-	(410)
At 31 December 2019	-	-	2,567	61	1,360	107	-	4,095
Provided for the year	-	1,135	-	47	173	195	71	1,621
Impairment	8,348	104	-	-	-	-	-	8,452
Eliminated on written-offs/disposals	-	-	-	-	(1,533)	-	-	(1,533)
At 31 December 2020	8,348	1,239	2,567	108	-	302	71	12,635
CARRYING VALUES								
At 31 December 2020	32,205	21,470	-	68	1,505	95	1,779	57,122
At 31 December 2019	-	-	-	115	821	290	-	1,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold land and building	2.5% or unexpired term of lease, whichever is shorter
Leasehold improvements	20% or over the lease terms, whichever is shorter
Air-conditioning	20% or over the lease terms, whichever is shorter
Equipment and kitchen utensils	20%
Furniture and fixtures	20%
Motor vehicles	20%
Freehold land	N/A

The leasehold land and building was situated in Hong Kong and held under long-term lease.

The Group had pledged its leasehold land and building with the carrying value of approximately HK\$11,907,000 as at 31 December 2018 to secure general banking facilities granted to the Group.

15. RIGHT-OF-USE ASSETS

	<i>HK\$'000</i>
CARRYING VALUE	
At 1 January 2019	–
Additions	2,249
	<hr/>
At 31 December 2019 and at 1 January 2020	2,249
Additions	1,481
Written off	(2,189)
	<hr/>
At 31 December 2020	1,541
	<hr/>
ACCUMULATED DEPRECIATION	
At 1 January 2019	–
Provided for the year	304
	<hr/>
At 31 December 2019 and 1 January 2020	304
Provided for the year	1,011
Written off	(840)
	<hr/>
At 31 December 2020	475
	<hr/>
CARRYING VALUE	
At 31 December 2020	1,066
	<hr/> <hr/>
At 31 December 2019	1,945
	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

15. RIGHT-OF-USE ASSETS (Continued)

During the year ended 31 December 2020, the total cash outflow for leases, including payments of principal and interest portion of lease liabilities, short-term leases, low-value leases and payments of lease payments on or before lease commencement date, was approximately HK\$1,066,000 (2019: HK\$1,945,000).

For the years ended 31 December 2020 and 2019, the Group leases office premises and warehouses for its operations. Lease contracts are entered into for fixed term of one year to three years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

16. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
COST	
At 1 January 2019, 31 December 2019, 1 January 2020	27,156
Disposal of subsidiaries	(27,156)
	<hr/>
At 31 December 2020	–
	<hr/>
ACCUMULATED DEPRECIATION	
At 1 January 2019	989
Provided for the year	679
	<hr/>
At 31 December 2019 and 1 January 2020	1,668
Provided for the year	332
Disposal of subsidiaries	(2,000)
	<hr/>
At 31 December 2020	–
	<hr/>
CARRYING VALUE	
At 31 December 2020	–
	<hr/> <hr/>
At 31 December 2019	25,488
	<hr/> <hr/>

During the year ended 31 December 2020, the Group disposed investment properties through disposal of subsidiaries of total consideration of HK\$28,000,000. Detail of which are set out in note 35 to the consolidated financial statements.

The investment properties are depreciated on a straight-line basis at 2.5% or unexpired term of lease, if shorter, per annum.

The fair value of the Group's investment properties as at 31 December 2019 was approximately HK\$28,000,000. The valuation performed by the management of the Group was arrived at by reference to recent market prices of similar properties in the similar locations and conditions. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There were no transfers between levels of fair value hierarchy during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

16. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the investment properties are determined:

	Fair value hierarchy	Fair value as at 31 December 2020 <i>HK\$'000</i>	Fair value as at 31 December 2019 <i>HK\$'000</i>	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Investment property A	Level 2	N/A	16,800	Market Comparison approach – by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available	N/A	N/A	N/A
Investment property B	Level 2	N/A	11,200	Market Comparison approach – by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available	N/A	N/A	N/A

All of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

17. GOODWILL

HK\$'000

COST

1 January 2019	6,186
Arising from business combinations (Note 34)	<u>37,172</u>
At 31 December 2019 and at 1 January 2020	43,358
Arising from business combination	<u>768</u>
At 31 December 2020	<u>44,126</u>

IMPAIRMENT

At 1 January 2019	6,186
Impairment loss recognised during the year	<u>9,980</u>
At 31 December 2019 and 1 January 2020	16,166
Impairment loss recognised during the year	<u>3,218</u>
At 31 December 2020	<u>19,384</u>

CARRYING VALUE

At 31 December 2020	<u><u>24,742</u></u>
At 31 December 2019	<u><u>27,192</u></u>

For the purposes of impairment testing, goodwill set out above has been allocated to three CGUs, comprising two subsidiaries in the food products operation segment, one subsidiary in retail of wine business segment and two subsidiaries in the wholesales wine business segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

17. GOODWILL (Continued)

The carrying value of goodwill, net of accumulated impairment allocated to the following CGUs:

	2020 HK\$'000	2019 HK\$'000
Wine business:		
– Retail	–	3,218
– Wholesale	23,974	23,974
– Vineyard	768	–
	24,742	27,192

The basis of the recoverable amounts of the above CGUs and the major underlying assumptions are summarised below:

Wine business – retail, wholesale and Vineyard

The recoverable amount of these CGUs has been determined based in value in use calculations with reference to valuations performed by Ravia Global Appraisal Advisory Limited (the “Ravia”), a firm of independent professional valuers.

These calculations use cash flows projections based on financial budgets approved by the management covering a 5-year period and a pre-tax discount. Cash flows beyond the 5-year period have been extrapolated using a steady growth rate. The pre-tax discount and growth rate used in the cash flows projections for each CGU as follow:

CGU	Pre-tax discount	Growth rate
Retail	16.5%	3%
Wholesale	16.5%	3%
Vineyard	30%	3%

These growth rate is based on relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross profit margin, such estimation is based on these units' past performance and the management's expectations for the market development.

As a result, impairment losses have been recognised during the year ended 31 December 2020 of approximately HK\$3,218,000 for retail CGU (2019: HK\$5,266,000 for retail CGU and HK\$4,714,000 for wholesale CGU), in relation to the wine business – retail CGU and the wine business – wholesale CGU respectively. No other write-down of the assets of wine business – Vineyard CGU segment is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

18. INTEREST IN ASSOCIATES/LOAN TO/AMOUNTS DUE FROM ASSOCIATES

	2020 HK\$'000	2019 HK\$'000
Cost of unlisted investments in associates	—	100,479
Share of post-acquisition losses and other comprehensive expenses	—	(96,226)
Share of other reserve (a)	—	(182)
	—	4,071

As at 31 December 2020 and 2019, the Group had interests in the following material associates:

Name of entity	Form of entity	Country of incorporation/ registration	Place/Principal place of operation	Issued and paid up/ registered capital	Proportion of ownership interests or participating shares held by the Group		Proportion of voting power held		Principal activity
					2020	2019	2020	2019	
Lucky Dessert (China) Holdings Limited ("Lucky Dessert (China)") (Note (i))	Incorporated	British Virgin Islands ("BVI")	Hong Kong	United States Dollars ("US\$") 100	N/A	49%	N/A	40%	Investment holding
Lucky Dessert (China) Limited (Note (i))	Incorporated	Hong Kong	Hong Kong	HK\$100	N/A	49%	N/A	40%	Investment holding
Marvel Miracle International Limited ("Marvel Miracle") (Note (ii))	Incorporated	BVI	Hong Kong	US\$100	N/A	15%	50%	50%	Investment holding
幸運甜品餐飲管理(深圳)有限公司 (Note (i))	Incorporated	The PRC	The PRC	HK\$3,050,000	N/A	49%	40%	40%	Trademark holding, catering management and consulting
天津凱沃萊爾餐飲有限公司 (Note (i))	Incorporated	The PRC	The PRC	Renminbi ("RMB") 1,000,000	N/A	49%	40%	40%	Restaurant operations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

18. INTEREST IN ASSOCIATES/LOAN TO/AMOUNTS DUE FROM ASSOCIATES (Continued)

Notes:

- (i) These entities are wholly-owned subsidiaries of Lucky Dessert (China). The Group is able to exercise significant influence over Lucky Dessert (China) as it has appointed two out of five directors of Lucky Dessert (China). The Group is able to exercise significant influence over the wholly-owned subsidiaries of Lucky Dessert (China) through its significant influence over Lucky Dessert (China).

For the year ended 31 December 2019, Lucky Dessert Group had recurring loss in operations due to the fierce competition in dessert industry in the PRC. The management have assessed the impairment of interests in associates and the impairment of intangible asset held by the Lucky Dessert Group based on a valuation prepared by a firm of independent professional valuer. The recoverable amounts of interest in Lucky Dessert Group and the intangible asset held by Lucky Dessert Group were determined using the value in use model based on financial budgets prepared by the management. The unobservable inputs included revenue growth rate of 3.0% (2018: 3.0%) per annum; and pre-tax discount rate of 20.82% per annum. As a result, impairment loss on intangible asset of approximately HK\$67,503,000 was recognised by Lucky Dessert Group and the Group's share of such impairment has been included in the share of loss of associates for the year ended 31 December 2019. In addition, no impairment loss on interests in Lucky Dessert Group was recognised by the Group for both years.

- (ii) On 31 December 2019, the Group has disposed of 6% of its equity interest in Marvel Miracle at a consideration of HK\$4,000,000. The Group interest in Marvel Miracle further decreased from 15% to 9%. The disposal was completed on 31 December 2019.

On 1 April 2020, the Group had disposed of 9% of its equity interest in Marvel Miracle at a consideration of HK\$4,075,000. The disposal was completed on 1 April 2020.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

18. INTEREST IN ASSOCIATES/LOAN TO/AMOUNTS DUE FROM ASSOCIATES (Continued)

Summarised financial information of material associate

The summarised financial information in respect of the associates that are material to the Group and are accounted for using the equity method are set out below:

	Lucky Dessert Group		Marvel Miracle	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	–	141	–	–
Non-current assets	–	6,785	–	45,240
Current liabilities	–	(5,550)	–	(8)
Non-current liabilities	–	(1,695)	–	–
	–	(319)	–	45,232
Revenue	–	899	–	–
Loss for the year	–	(55,693)	–	(25,029)
Other comprehensive expenses for the year	–	(95)	–	–
Total comprehensive expenses for the year	–	(58,788)	–	(25,029)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

18. INTEREST IN ASSOCIATES/LOAN TO/AMOUNTS DUE FROM ASSOCIATES (Continued)

Summarised financial information of material associate (Continued)

The reconciliation of the summarised financial information presented above to the carrying amount of the interests in the Lucky Dessert Group is set out below:

	Lucky Dessert Group (Note)		Marvel Miracle	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Net (liabilities)/asset of associates	–	(319)	–	45,232
Proportion of the Group's ownership interests in associates	–	49%	–	9%
Carrying amount of the Group's interests in associates	–	–	–	4,071

Note: The Group has discontinued recognition of its share of losses of Lucky Dessert Group when applying the equity method. The unrecognised share of losses of Lucky Dessert Group, both for the year and cumulatively, are set out below:

	2020 HK\$'000	2019 HK\$'000
Unrecognised share of losses of Lucky Dessert Group, both for the year and cumulatively	–	156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

19. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Food and beverages	546	377
Wines	338,375	307,613
	338,921	307,990

20. BIOLOGICAL ASSETS

Movements of biological assets, representing grapes growing on bearer plants, are summarised as follows:

	<i>HK\$'000</i>
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Additions through business combinations (<i>Note 34</i>)	167
Increase due to cultivation	287
Decrease due to sales	(238)
	<hr/>
At 31 December 2020	216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

21. LOAN AND INTEREST RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Fixed-rate loan receivables	–	2,042
Interest receivables	–	699
	–	2,741
Less: impairment allowance under ECL	–	(257)
	–	2,484
Loan receivables analysed for reporting purpose as:		
Current assets	–	2,484
	–	2,484

The Group seeks to maintain strict control over its outstanding loan and interest receivables so as to minimise credit risk. The granting of loans is subject to approval by the directors and/or the director of the subsidiary, where appropriate, whilst overdue balances are reviewed regularly by senior management of the Group.

The Group holds properties and equity securities as collaterals for most of the loan and interest receivables. In the event of default or failure to repay any outstanding amounts by the debtors, the Group will proceed with sale of collaterals. Interest rates are offered based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends.

The loan and interest receivables are due from numbers of independent individuals and corporate entities and, 53% of the balances are secured by the collaterals as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

21. LOAN AND INTEREST RECEIVABLES (Continued)

The loans provided to debtors bore fixed interest rate ranging from 3% to 36% per annum and will be repayable on maturity with a maturity period ranged from 1 month to 1 year.

A maturity profile of the loan and interest receivables at the end of the reporting periods, based on the maturity date, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	–	2,484

The movement in the provision for impairment is set out below:

	2020 HK\$'000	2019 HK\$'000
At 1 January	257	172
Provided (reversed) during the year	(257)	85
At 31 December	–	257

Included in the provision for impairment on loan and interest receivables are individually impaired loan and interest receivables with an aggregate balance of approximately HK\$257,000 related to customers that are in severe financial difficulties for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

22. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	33,010	44,653
Less: impairment allowance under ECL	(164)	(80)
Trade receivables, net	32,846	44,573
Prepayments, deposits and other receivables (a)	4,162	55,479
Deposit paid for acquisition of a subsidiary	–	5,000
	4,162	60,479
	37,008	105,052

Notes:

- (a) Included in the balance as at 31 December 2019, there was approximately HK\$1,628,000 from a non-controlling interest. The amount was interest-free, unsecured and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

22. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade receivables net of allowance of credit losses, presented based on invoice date which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	30,351	43,148
31-60 days	2,155	1,146
61-90 days	–	166
Over 90 days	340	113
	32,846	44,573

The Group does not hold any collateral over its trade receivables, deposits and other receivables.

The Group allows an average credit period of 30 days to its customers.

Details of the impairment assessment of trade receivables, deposits and other receivables are set out in note 37 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

23. BANK BALANCES AND CASH

Cash at banks carries interest at prevailing market rates and is placed with credit worthy banks with no recent history of default.

Details of the impairment assessment of bank balances are set out in note 37 to the consolidated financial statements.

24. TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	589	9,179
Other payables	2,015	4,355
Accruals	14,492	9,651
Deposits received	288	2,553
	16,795	16,559
	17,384	25,738

Payment terms granted by suppliers are generally 30 to 45 days after the end of the month in which the relevant purchases are made. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an ageing analysis of trade payables, presented based on the invoice date, at the end of reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	403	8,069
31-60 days	1	898
61-90 days	–	–
Over 90 days	185	212
	589	9,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

25. BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Borrowings		
Instalment loans	69,537	9,080
Bank overdrafts	–	5,901
	69,537	14,981
	2020 HK\$'000	2019 HK\$'000
The carrying amount of the Group's borrowings that contain repayable on demand clause (shown under current liabilities), but repayable:		
– Within one year	3,947	6,325
– After one year but within two years	2,508	434
– After two years but within five years	3,082	1,359
– More than five years	60,000	6,863
	69,537	14,981

As at 31 December 2020 and 2019, the facility agreements of instalment loans and bank overdrafts contained repayment on demand clauses pursuant to which the banks could at their discretion demand repayment of the entire outstanding balances from the Group in the absence of any defaults. The whole balance is therefore recognised under current liabilities.

Instalment loans carried interest from 2.75% to 5% per annum as at 31 December 2020 (2019: HIBOR +1.35%/BLR +3.1%).

Bank overdrafts carried interest at the best lending rate of the bank minus 2.5% per annum as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

25. BORROWINGS (Continued)

The effective interest rate at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Instalment loans	2.75%-5%	2.15%
Bank overdrafts	2.50%	2.50%

Borrowing

As at 31 December 2020, the Group had aggregate banking facilities of approximately HK\$71,000,000 (2019: HK\$15,000,000), of which the available facilities were fully utilised amounting to HK\$69,573,000 (2019: HK\$14,981,000). These banking facilities are secured by:

- (a) As at 31 December 2020 by a floating charge on inventories;
- (b) As at 31 December 2020 by limited corporate guarantee by the Company;
- (c) As at 31 December 2020 and 2019, unlimited guarantees from a director of a subsidiary;
- (d) As at 31 December 2019, unlimited guarantee from a wholly owned subsidiary of the Group and unlimited guarantee from a non-wholly owned subsidiary of the Group; and
- (e) As at 31 December 2019, investment properties with carrying value of approximately HK\$25,828,000 and their respective rental income generated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

26. PROMISSORY NOTES

	PN A	PN B	PN C	PN D	PN E	PN F	PN G	PN H	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	25,612	42,077	-	-	-	-	-	-	67,689
Issue	-	-	17,438	8,842	8,842	51,598	28,616	-	115,336
Interest charge (Note 10)	281	775	1,505	462	462	3,376	530	-	7,391
Loss on early redemption (Note 9)	-	-	1,899	829	829	1,349	-	-	4,906
Repayment including interests	(25,893)	(37,705)	(20,842)	(10,133)	(10,133)	(11,328)	-	-	(116,034)
At 31 December 2019									
- current	-	5,147	-	-	-	-	-	-	5,147
- non-current	-	-	-	-	-	44,995	29,146	-	74,141
At 1 January 2020	-	5,147	-	-	-	44,995	29,146	-	79,288
Issue	-	-	-	-	-	-	-	33,217	33,217
Interest charge (Note 10)	-	17	-	-	-	2,339	335	401	3,092
Loss on early redemption (Note 9)	-	-	-	-	-	-	-	3,946	3,946
Termination including interests	-	-	-	-	-	(47,334)	-	-	(47,334)
Repayment including interests	-	(5,164)	-	-	-	-	(23,827)	(37,564)	(66,555)
At 31 December 2020									
- current	-	-	-	-	-	-	-	-	-
- non-current	-	-	-	-	-	-	5,654	-	5,654
	-	-	-	-	-	-	5,654	-	5,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

26. PROMISSORY NOTES (Continued)

Promissory Note A (“PN A”)

The Company issued promissory note of HK\$62,029,000 bearing interest at 2% per annum on 2 August 2018 to a company owned by the director of a subsidiary of the Company for general working capital purposes. The PN A is denominated in Hong Kong dollars with maturity on the second anniversary from the date of issue.

During the year ended 31 December 2019, an aggregate principal amount of approximately HK\$25,893,000 (2018: HK\$36,857,000) and accrued interest thereon was early redeemed by the Group.

Promissory Note B (“PN B”)

The Company issued promissory note of HK\$41,800,000 bearing interest at 2% per annum on 2 September 2018 to a company owned by the director of a subsidiary of the Company for general working capital purposes. The PN B is denominated in Hong Kong dollars with maturity on the second anniversary from the date of issue.

During the year ended 31 December 2019, an aggregate principal amount of approximately HK\$37,705,000 (2018: nil) and accrued interest thereon was early redeemed by the Group.

Promissory Note C (“PN C”)

The Group issued promissory note denominated in Hong Kong dollar with the principal amount of approximately HK\$20,251,000 as part of the considerations for the acquisition of Palinda Holding. PN C carry interest at 4% per annum and mature on the second anniversary from the date of issue.

Based on the valuation carried out by a firm of independent professional valuers, the fair value of 2019 Promissory Note A at the date of issue is approximately HK\$17,438,000 with effective interest rate of 12% per annum.

On 31 August 2019, 4 November 2019 and 27 December 2019, aggregate principal amount of approximately HK\$10,251,000, HK\$5,000,000 and HK\$5,000,000 respectively and accrued interest thereon were early redeemed by the Group. Loss on early redemption of approximately HK\$1,045,000, HK\$452,000 and HK\$402,000 was recognised in profit or loss on the respective dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

26. PROMISSORY NOTES (Continued)

Promissory Note D (“PN D”)

The Group issued promissory note denominated in Hong Kong dollar with the principal amount of HK\$9,900,000 as the consideration for the acquisition of Irving Global Limited (“Irving Global”). PN D carry interest at 5% per annum and mature on the second anniversary from the date of issue.

Based on the valuation carried out by a firm of independent professional valuers, the fair value of PN D at the date of issue is approximately HK\$8,842,000 with effective interest rate of 11.55% per annum.

On 19 August 2019, an aggregate principal amount of HK\$9,900,000 and accrued interest thereon was early redeemed by the Group and, loss on early redemption of approximately HK\$829,000 was recognised in profit or loss.

Promissory Note E (“PN E”)

The Group issued promissory note denominated in Hong Kong dollar with the principal amount of HK\$9,900,000 as the consideration for the acquisition of Happy Profit Global Limited (“Happy Profit”). PN E carry interest at 5% per annum and mature on the second anniversary from the date of issue.

Based on the valuation carried out by a firm of independent professional valuers, the fair value of PN E at the date of issue is approximately HK\$8,842,000 with effective interest rate of 11.55% per annum.

On 19 August 2019, an aggregate principal amount of HK\$9,900,000 and accrued interest thereon was early redeemed by the Group and, loss on early redemption of approximately HK\$829,000 was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

26. PROMISSORY NOTES (Continued)

Promissory Note F (“PN F”)

The Company issued promissory note denominated in Hong Kong dollar with the principal amount of HK\$60,320,000 as the consideration for entering into a master supply agreement, pursuant to which an independent third party, as the supplier agreed to supply and, the Company, as the customer, agreed to source wines including but not limited to red wine, white wine, sparkling wine or any kind of alcoholic drinks made from fermented grapes, under a measurable unit of 750 milliliter per bottle (the “Goods”). The Goods can be supplied partially and shall be supplied to the Company upon request, the supplier shall deliver the Goods at its own cost to a designated location of the Company or its assigned party.

Promissory Note D carry interest at 5% per annum and mature on the third anniversary from the date of issue. Based on the valuation carried out by a firm of independent professional valuers, the fair value of PN F at the date of issue is approximately HK\$51,598,000 with effective interest rate of 11% per annum, and the Group recognised prepayment for the Goods of approximately HK\$51,598,000.

On 19 August 2019, an aggregate principal amount of HK\$10,320,000 and accrued interest thereon was early redeemed by the Group and, loss on early redemption of approximately HK\$1,349,000 was recognised in profit or loss. The remainder was cancelled on 1 July 2020 resulted in a loss of termination of HK\$4.27 million.

Promissory Note G (“PN G”)

The Company issued promissory note denominated in Hong Kong dollar with the principal amount of approximately HK\$28,616,000 to a company owned by the director of a subsidiary of the Company for cash for general working capital purposes. PN G carry interest at 2% per annum and mature on the second anniversary from the date of issue.

Promissory Note H (“PN H”)

Pursuant to the announcement of the Company dated 4 October 2019, a direct wholly owned subsidiary of the Company as the purchaser and the vendor has entered into a sale and purchase agreement to acquire 100% of issued share capital of Win Everest Holdings Limited and its wholly owned subsidiary at HK\$60 million. The consideration has been satisfied by (i) HK\$5 million in cash upon the signing of the sale and purchase agreement; (ii) the issue of the promissory note (“PN H”) by the purchaser to the vendor to the value of approximately HK\$37,360,000 upon completion; and (iii) the issue and allotment of the 63,000,000 consideration shares at share price of HK\$0.28 per share by the Company upon completion. The acquisition has been completed on 3 January 2020. The PN H was fully redeemed during the Year resulting in a loss on early redemption of approximately HK\$3,946,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

27. LEASE LIABILITIES

	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Lease liabilities payables:		
Within one year	760	1,082
Within a period of more than one year but not more than two years	387	852
	1,147	1,934
Less: Amount due for settlement with 12 months shown under current liabilities	(760)	(852)
Amount due for settlement with 12 months shown under non-current liabilities	387	1,082

The weighted average incremental borrowing rate applied to lease liabilities ranged from 7.40% to 9.07% (2019: 9.07%).

28. DEFERRED TAX

The analysis of deferred tax liabilities is as follows:

	2020	2019
	HK\$'000	HK\$'000
Deferred tax liabilities	12,195	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

28. DEFERRED TAX (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting periods:

The analysis of deferred tax assets (liabilities) is as follows:

	Decelerated tax depreciation <i>HK\$'000</i>
Deferred tax assets	
At 1 January 2019	29
Credit to profit or loss	(29)
	<hr/>
At 31 December 2019, 1 January 2020 and 31 December 2020	–
	<hr/> <hr/>
	Fair value adjustments arising from acquisition of subsidiary <i>HK\$'000</i>
Deferred tax liabilities	
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Acquisition of a subsidiary	15,027
Credit to profit or loss	(2,832)
	<hr/>
At 31 December 2020	12,195
	<hr/> <hr/>

Deferred tax assets are recognised for available tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

29. SHARE CAPITAL

	Nominal value per share	Number of shares	Nominal value HK\$'000
Authorised share capital:			
At 1 January 2019	HK\$0.01	10,000,000,000	100,000
Share consolidation (<i>Note (v)</i>)	N/A	(9,000,000,000)	–
At 31 December 2019, 1 January 2020 and at 31 December 2020	HK\$0.10	1,000,000,000	100,000
Issued and fully paid:			
At 1 January 2019	HK\$0.01	2,127,854,643	21,279
Issue of shares upon exercise of share option (<i>Note (i)</i>)	HK\$0.01	212,785,460	2,128
Issue of consideration share (<i>Note (ii)</i>)	HK\$0.01	425,568,000	4,255
Issue of shares under rights issue (<i>Note (iii)</i>)	HK\$0.01	461,434,040	4,614
Placing of unsubscribed rights shares (<i>Note (iii)</i>)	HK\$0.01	921,670,005	9,217
Share consolidation (<i>Note (iv)</i>)	N/A	(3,734,380,934)	–
At 31 December 2019 and at 1 January 2020	HK\$0.10	414,931,214	41,493
Issue of shares upon exercise of share option (<i>Note (v)</i>)	HK\$0.10	53,325,120	5,333
Issue of consideration shares (<i>Note (vi)</i>)	HK\$0.10	63,000,000	6,300
Placing of new shares (<i>Note (vii)</i>)	HK\$0.10	55,320,000	5,532
At 31 December 2020		586,576,334	58,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

29. SHARE CAPITAL (Continued)

Notes:

- (i) During the year ended 31 December 2019, 148,949,822 share options and 63,835,638 share options had been exercised by holders of the share options at exercise price of HK\$0.042 per option and HK\$0.0652 per option, respectively to subscribe for 212,785,460 ordinary shares of the Company at a total aggregated consideration of approximately HK\$10,419,000. Details of the share options are set out in note 32 to the consolidated financial statements.
- (ii) On 22 January 2019, the Company issued 425,568,000 ordinary shares to Ms. Huang Wei, being the vendor for the acquisition of Palinda Holding (who was appointed as executive director of the Company subsequent to the acquisition of Palinda Holding on 12 August 2019), as part of the consideration for the acquisition of Palinda Holding.
- (iii) On 11 June 2019, the Company proposed the rights issue to the members of the Company on the basis of one ordinary share for every two ordinary shares at the subscription price of HK\$0.0248 per rights share (the "Rights Issue"), the number of shares under the rights issue is up to 1,383,104,051 ("Rights Shares"). On the same day, the Company entered into a placing arrangement with the bookrunner, who shall act as a placing agent and the bookrunner, to procure independent places in respect of the unsubscribed shares under the rights issue ("Unsubscribed Rights Shares") (the "Placing").

As at 14 August 2019, being the latest time for the Rights Issue and the Placing to become unconditional, the Company received applications and acceptances in respect of a total of 461,434,040 Rights Shares and, the 921,670,005 Unsubscribed Rights Shares was placed to not less than six places at the placing price of HK\$0.0248 per Unsubscribed Rights Shares.

Both the Rights Issue and the Placing were completed on 21 August 2019 and the aggregate gross proceeds of approximately HK\$34,301,000 was intended for the repayment of the Group's promissory notes and general working capital purpose, after net of related share issuing expenses.

- (iv) At an extraordinary general meeting of the Company held on 29 August 2019, a resolution was passed to approve the share consolidation on the basis that every existing 10 issued and unissued shares of par value of HK\$0.01 each in the share capital of the Company consolidated into one shares of par value of HK\$0.10 each in the share capital of the Company. The share consolidation was completed and effective on 2 September 2019.
- (v) During the year ended 31 December 2020, 53,325,120 share options had been exercised by holders of the share options at exercise price of HK\$0.125 per option, to subscribe for 53,325,120 ordinary shares of the Company at a total aggregated consideration of approximately HK\$6,665,000. Details of the share options are set out in note 30 to the consolidated financial statements.
- (vi) On 3 January 2020, the Company issued 63,000,000 ordinary shares to Mr. Chow Yat Too, being the vendor for the acquisition of Win Everest Holdings Limited, as part of the consideration for the acquisition of Win Everest Holdings Limited.
- (vii) On 31 March 2020, a total of 55,320,000 placing Shares have been successfully placed by the placing agent to not less than six places at the placing price of HK\$0.18 per placing share pursuant to the terms and conditions of the placing agreement.

All the new shares issued during the year rank pari passu with the existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

30. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the Company's shareholders at a special general meeting of the Company held on 9 December 2011, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of rewarding eligible participants who had made contribution to the Group as well as providing incentives in retaining the Group's existing employees and recruiting additional employees in attaining the long term objectives of the Group.

Subject to the terms of the Share Option Scheme, the Directors may, at their absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries, (b) any person who have contributed or may contribute to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 9 December 2011 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. Pursuant to an ordinary resolution passed by the Company's shareholders at an annual general meeting of the Company held on 8 June 2018, the 10% limit under the Share Option Scheme was refreshed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

30. SHARE OPTION SCHEME (Continued)

Where the proposed grant of option to a director, chief executive, substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates would result in such person in any 12-month period up to and including the date of grant: (i) representing in aggregate over 0.1% of the total issued shares at the date of grant; and (ii) having an aggregate value, based on the closing price of the shares at the date of grant, in excess of HK\$5 million, then such grant must be subject to the approval of the shareholders in general meeting taken on a poll.

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant of each eligible participant shall not exceed 1% of the total issued shares unless (i) a shareholders' circular is dispatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant eligible participant and its associates abstain from voting on such resolution.

The exercise price of the option shares granted under the Share Option Scheme may be determined by the board of directors (the "Board") at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years commencing from 9 December 2011 unless terminated by the Company.

Options granted under the Share Option Scheme must be taken up within 28 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant. An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised, but the Board may, subject to the provisions of the GEM Listing Rules, in its absolute discretion when granting the option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as it may think fit.

No share options had been granted and remained outstanding under the Share Option Scheme as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

30. SHARE OPTION SCHEME (Continued)

Details of the share options granted are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Adjusted exercise price (Note)	Closing price of the share immediately before the date of grant
22 June 2020	N/A	1 year from the date of grant	HK\$0.125	N/A	HK\$0.106
17 December 2018	N/A	1 year from the date of grant	HK\$0.0652	N/A	HK\$0.0620
11 January 2019	N/A	1 year from the date of grant	HK\$0.042	N/A	HK\$0.042

The following table discloses movements of the Company's share options held by the directors, employees and other individuals during the year:

Date of grant	Exercise price per option HK\$	Exercise period	Vesting period	At							
				At 1 January 2019	Granted during the year	Exercised during the year	31 December 2019 and at 1 January 2020	Granted during the year	Exercised during the year	At 31 December 2020	
Employees	11 January 2019	0.0420	1 year from the date of grant	N/A	-	42,557,092	(42,557,092)	-	-	-	-
	22 June 2020	0.125	1 year from the date of grant	N/A	-	-	-	-	5,332,512	(5,332,512)	-
Individuals and companies	17 December 2018	0.0652	1 year from the date of grant	N/A	63,835,638	-	(63,835,638)	-	-	-	-
	11 January 2019	0.0420	1 year from the date of grant	N/A	-	106,392,730	(106,392,730)	-	-	-	-
	22 June 2020	0.125	1 year from the date of grant	-	-	-	-	-	47,992,608	(47,992,608)	-
Exercisable at the end of the reporting period					63,835,638	148,949,822	(212,785,460)	-	53,325,120	(53,325,120)	-
					63,835,638			-			-
Weighted average exercise price (HK\$)					0.0652	0.0420	0.0490	-	0.125	0.125	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

30. SHARE OPTION SCHEME (Continued)

In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK\$0.125 (2018: HK\$0.045) and the weighted average share price at the dates immediately before the exercise is HK\$0.125 (2018: HK\$0.183).

During the year ended 31 December 2020 and 2019, no share options were lapsed nor forfeited.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

Date of grant	20 June 2020	11 January 2019	17 December 2018
Closing share price at the date of grant	HK\$0.1060	HK\$0.042	HK\$0.063
Exercise price	HK\$0.125	HK\$0.042	HK\$0.0652
Expected volatility	88.3%	100%	96%
Expected life	1 year	1 year	1 year
Risk-free rate	0.30%	1.57%	1.9%
Expected dividend yield	0%	0%	0%
Fair value of the options grant	<u>HK\$1,629,000</u>	<u>HK\$2,979,000</u>	<u>HK\$830,000</u>

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately HK\$1,629,000 for the year ended 31 December 2020 (2019: HK\$2,979,000) in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

31. OPERATING LEASE ARRANGEMENT

The Group as lessor

During the year ended 31 December 2019, property rental income earned during the year was HK\$642,000. The remaining properties are expected to generate rental yields of 2.5% on an ongoing basis.

At 31 December 2019, the Group had contracted with tenants for the following future minimum lease payments:

	2019 HK\$'000
Within one year	161
In the second to fifth years inclusive	—
	<hr/>
	161
	<hr/> <hr/>

32. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000 per employee. Contributions to the MPF Scheme vest immediately.

The total expense recognised in profit or loss of approximately HK\$1,294,000 (2019: HK\$1,704,000) represents contributions payable to these schemes by the Group from continuing operations in respect of the current accounting period at rates specified in the rules of the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

(a) Transactions with related parties

The Group had the following significant transactions with the related parties during both years:

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income received from loan to an associate	<i>i</i>	–	179
Interest expenses paid to related parties	<i>ii</i>	–	1,586*
Consultancy fee income received from an associate	<i>iii</i>	–	125
Operating lease rentals paid to related companies	<i>iv</i>	1,966	2,565*
Acquisition of right-of-use		1,481	–

* These transactions also constituted connected transactions as defined under the rules governing the listing of securities on GEM of the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

33. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

- (i) Interest income was charged according to the terms of the loan agreement entered into between the parties.
- (ii) Interest expenses was charged according to the terms of the relevant promissory notes issued by the Company.
- (iii) Consultancy fee income and management income were made on a mutually agreed basis.
- (iv) Operating lease rentals were paid according to the terms of the rental agreements entered between the Group and the related companies owned by the spouse of Ms. Huang Wei, the executive director and the substantial shareholder of the Company.

(b) Compensation to key management personnel

The remuneration of the directors and other members of key management during the years ended 31 December 2020 and 2019 are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Short-term benefits	1,589	1,408
Post-employment benefits	–	25
	1,589	1,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

34. ACQUISITION OF BUSINESS

For the year ended 31 December 2020

On 4 October 2019, the Group entered into an agreement for acquisition of entire equity interest in Win Everest Holdings Limited ("Win Everest") and its subsidiary, which is s principally engaged in supply of self-cultivated grapes for winery business and provision of short stay accommodation service and has a vineyard located in the Margaret River region in Australia. The acquisition of Win Everest was completed on 3 January 2020. The consideration for the Win Everest was HK\$60,000,000, which will be satisfied as to (i) HK\$5,000,000 by cash; (ii) HK\$17,640,000 by the issue and allotment of the 63,000,000 Consideration Shares at the Issue Price of HK\$0.28 per Consideration Share; and (iii) HK\$37,360,000 by issue of the Promissory Note.

	<i>HK\$'000</i>
Consideration	
Cash	5,000
Consideration shares (<i>Note</i>)	13,860
Promissory notes, at fair value (<i>Note 26</i>)	33,217
Total consideration	52,077

Notes:

The fair value of 63,000,000 ordinary shares of the Company issued as of the Consideration which was based on the spot price of the Company's share price as at the completion date, which was HK\$0.22 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

34. ACQUISITION OF BUSINESS (Continued)

For the year ended 31 December 2020 (Continued)

Assets acquired and liabilities assumed recognised at the completion date is as follows:

	<i>HK\$'000</i>
Net assets acquired, at fair value	
Property, plant and equipment	65,112
Biological assets	167
Inventories	839
Trade and other receivables	721
Cash and bank balances	469
Trade and other payables	(972)
Shareholder's loan	(16,957)
Deferred tax liabilities	(15,027)
Total identifiable net assets	34,352
Shareholder's loan	16,957
Goodwill	768
Total consideration	52,077
Net cash outflow from acquisition of business	
Cash consideration	(5,000)
Cash and bank balances	469
	(4,531)

Notes:

- (a) Trade receivables acquired in this acquisition was the same as the related gross contractual amount and the best estimate at acquisition date of the contractual cash flows expected to be collected.
- (b) Included in the Group's revenue and loss for the year are HK\$930,000 and HK\$485,000 respectively, attributed from Win Everest since the acquisition date.

Goodwill arose in these acquisitions because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of acquired businesses. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

34. ACQUISITION OF BUSINESS (Continued)

For the year ended 31 December 2020 (Continued)

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Had these business been consolidated on 1 January 2020, the Group's revenue and loss for the year would have been approximately HK\$930,000 and HK\$485,000 respectively. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and loss for the year, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for these business combinations rather than the carrying amounts recognised in the pre-acquisition financial statements.

For the year ended 31 December 2019

(i) Palinda Holding

On 22 October 2018, the Group entered into an agreement for the acquisition of the entire equity interest in Palinda Holding and its subsidiary, Palinda HK, which is engaged in wholesale of wine products in Hong Kong. The acquisition of Palinda Holding was completed on 22 January 2019 ("Palinda Acquisition"). The consideration for the Palinda Acquisition was HK\$76,000,000 (the "Palinda Consideration") which had been satisfied as to (i) approximately HK\$55,749,000 by issue and allotment of 425,568,000 consideration shares at the issue price of HK\$0.131 per consideration share by the Company to the vendor; and (ii) approximately HK\$20,251,000 by the issue of promissory note by the Group to the vendor.

Consideration

- Consideration shares (a)
- Promissory note, at fair value (Note 28)
- Profit guarantee, at fair value (b) (Note 25)

Total consideration

	<i>HK\$'000</i>
	18,299
	17,438
	(181)
	<hr/>
	35,556
	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

34. ACQUISITION OF BUSINESS (Continued)

For the year ended 31 December 2019 (Continued)

(i) *Palinda Holding (Continued)*

Notes:

- (a) The fair value of 425,568,000 ordinary shares of the Company issued as part of the Palinda Consideration was based on the spot price of the Company's share price as at the acquisition date, which was HK\$0.043 per share.
- (b) Pursuant to the sales and purchase agreement for Palinda Acquisition, the vendor has irrecoverably and unconditionally guarantees to the Group that the audited net profit after tax of Palinda HK for the year ending 31 March 2019 shall be no less than HK\$10,000,000 (the "Guaranteed Profits").

If Palinda HK cannot meet the Guaranteed Profits for the year ending 31 March 2019, the vendor shall pay the shortfall to the Group within 14 business days upon the issuance of the audited financial statements of Palinda HK in accordance with HKFRSs and reported by the auditor nominated by the Group. For the avoidance of doubt, if the net profit after tax of Palinda HK shall be negative, it shall be deemed to be zero and the maximum amount of the shortfall payable by the vendor shall not exceed the amount of the Palinda Consideration. The fair value of profit guarantee at the acquisition date, amount to approximately HK\$181,000.

- (c) Acquisition-related costs of approximately HK\$560,000 have been charged to "other operating expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

(ii) *Irving Global*

On 27 February 2019, the Group entered into an agreement for the acquisition of the entire equity interest in Irving Global, which directly own the entire equity interests in Palinda Wines Limited, a company engages in sales of wine products in Hong Kong through retail stores. The acquisition of Irving Global was completed on 27 February 2019. The consideration of HK\$9,900,000 for the acquisition of Irving Global shall be satisfied by the issuance of promissory note and its fair value at the acquisition date was approximately HK\$8,842,000.

(iii) *Happy Profit*

On 27 February 2019, the Group entered into an agreement for the acquisition of the entire equity interest in Happy Profit, which directly own 99.62% equity interests in Phini Holdings Limited, a company engages in sales of wine and ancillary wine-related products in Hong Kong by way of consignment. The acquisition of Happy Profit was completed on 27 February 2019. The consideration of HK\$9,900,000 for the acquisition of Happy Profit shall be satisfied by the issuance promissory note and its fair value at the acquisition date was approximately HK\$8,842,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

34. ACQUISITION OF BUSINESS (Continued)

For the year ended 31 December 2019 (Continued)

Assets acquired and liabilities assumed recognised at the acquisition date are as follows:

	Palinda Holding <i>(Note b)</i> <i>HK\$'000</i>	Irving Global <i>(Note c)</i> <i>HK\$'000</i>	Happy Profits <i>(Note d)</i> <i>HK\$'000</i>
Net assets acquired, at fair value:			
Property, plant and equipment	216	232	4
Inventories	14,056	341	433
Trade receivables <i>(Note a)</i>	1,627	55	2,272
Prepayments and deposits	2,449	891	73
Bank balances and cash	1,212	606	707
Trade payables	(237)	(74)	(1,002)
Other payables, accruals and deposit received	(982)	(1,492)	(2,141)
Tax payables	(2,646)	(201)	(199)
	<hr/>	<hr/>	<hr/>
Total identifiable net assets	15,695	358	147
Less: Non-controlling interests	–	–	(132)
Goodwill arising from business combination <i>(Note 18)</i>	19,861	8,484	8,827
	<hr/>	<hr/>	<hr/>
Total consideration	35,556	8,842	8,842
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net cash inflows from acquisition of business			
Cash consideration	–	–	–
Bank balance and cash acquired	1,212	606	707
	<hr/>	<hr/>	<hr/>
	1,212	606	707
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

34. ACQUISITION OF BUSINESS (Continued)

For the year ended 31 December 2019 (Continued)

Notes:

- (a) Trade receivables acquired in this acquisition was the same as the related gross contractual amount and the best estimate at acquisition date of the contractual cash flows expected to be collected.
- (b) Included in the Group's revenue and loss for the year are HK\$102,477,000 and profit of HK\$9,613,000 respectively, attributed from Palinda Group since the acquisition date.
- (c) Included in the Group's revenue and loss for the year are HK\$5,673,000 and profit of HK\$108,000 respectively, attributed from Irving Global and its subsidiary since the acquisition date.
- (d) Included in the Group's revenue and loss for the year are HK\$1,590,000 and profit of HK\$265,000 respectively, attributed from Happy Profit and its subsidiary since the acquisition date.

Goodwill arose in these acquisitions because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of acquired businesses. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Had these business been consolidated on 1 January 2019, the Group's revenue and loss for the year would have been approximately HK\$248,302,000 and HK\$51,104,000 respectively. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and loss for the year, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for these business combinations rather than the carrying amounts recognised in the pre-acquisition financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

35. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2020

(i) Eternity Rise Investments Limited (“ERI Limited”)

On 12 February 2020, the Group disposed of its entire equity interest in ERI Limited, at an aggregate cash consideration of HK\$16,800,000. The disposal of ERI Limited was completed on 26 June 2020 and upon completion of the disposal, ERI Limited ceased to be a wholly-owned subsidiary of the Group. The net liabilities disposed of are as follows:

(ii) Eternity Rise Property Limited (“ERP Limited”)

On 12 February 2020, the Group disposed of its entire equity interest in ERP Limited, at an aggregate cash consideration of HK\$11,200,000. The disposal of ERP Limited was completed on 26 June 2020 and upon completion of the disposal, ERP Limited ceased to be a wholly-owned subsidiary of the Group. The net liabilities disposed of are as follows:

(iii) Happy Credit Limited (“Happy Credit”)

On 2 April 2020, the Group disposed of its entire equity interest in Happy Credit, at an aggregate cash consideration of HK\$50,000. The disposal of Happy Credit was completed on 2 April 2020 and upon completion of the disposal, Happy Credit ceased to be a wholly-owned subsidiary of the Group. The net liabilities disposed of are as follows:

(iv) Brilliant Forever Limited (“BFL”)

On 1 April 2020, the Group disposed of its entire equity interest in BFL, at an aggregate cash consideration of HK\$8. The disposal BFL was completed on 1 April 2020 and upon completion of the disposal, BFL ceased to be a wholly-owned subsidiary of the Group. The net liabilities disposed of are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

35. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2020 (Continued)

Analysis of assets and liabilities over which control was lost:

	ERI Limited <i>HK\$'000</i>	ERP Limited <i>HK\$'000</i>	Happy Credit <i>HK\$'000</i>	BFL <i>HK\$'000</i>
Investment properties	15,094	10,062	–	–
Prepayment and deposit	4	3	14	–
Loan and interest receivables	–	–	2,406	–
Cash and bank balances	–	–	8	–
Deposit received	–	–	(1,976)	–
Accruals and other payables	–	–	(2,913)	(13)
Amount due to fellow subsidiaries	(15,853)	(10,651)	(40,807)	(135)
Net liabilities disposed of	<u>(755)</u>	<u>(586)</u>	<u>(43,268)</u>	<u>(148)</u>

Analysis of gain (loss) on disposal

	ERI Limited <i>HK\$'000</i>	ERP Limited <i>HK\$'000</i>	Happy Credit <i>HK\$'000</i>	BFL <i>HK\$'000</i>
Cash consideration	16,800	11,200	50	–
Net liabilities disposed of	755	586	43,268	148
Foreign Currency translation reserve	–	–	–	(8,605)
Amount due to fellow subsidiaries	(15,888)	(10,651)	(40,807)	(135)
Expenses in relation to the disposal incurred by the Group	(140)	(124)	–	–
Gain (loss) on disposal	<u>1,527</u>	<u>1,011</u>	<u>2,511</u>	<u>(8,592)</u>

Analysis of net cash inflow from disposal

	ERI Limited <i>HK\$'000</i>	ERP Limited <i>HK\$'000</i>	Happy Credit <i>HK\$'000</i>	BFL <i>HK\$'000</i>
Consolidation received	16,800	11,200	50	–
Less: bank balance and cash disposed and expenses in related to the disposal incurred by the Group	(140)	(124)	(8)	–
Net cash inflow from disposal	<u>16,660</u>	<u>11,076</u>	<u>42</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

35. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019

(i) ACE Kinetic Limited (“ACE Kinetic”)

On 30 April 2019, the Group further disposed of its 70% equity interest in ACE Kinetic at cash consideration of HK\$7,000. The disposal of ACE Kinetic was completed on 30 April 2019 and upon completion of the disposal, ACE Kinetic ceased to be a non-wholly owned subsidiary of the Group. The net liabilities disposed of are as follows:

(ii) Tong Chao Development Limited (“Tong Chao”)

On 30 April 2019, the Group disposed of its 68% equity interest in Tong Chao, which in turns hold 50% equity interest in its non-wholly owned subsidiary, together with the assignment of sale loan at cash consideration of HK\$400,000. The disposal of Tong Chao was completed on 30 April 2019 and upon completion of the disposal, Tong Chao and its subsidiary ceased to be non-wholly owned subsidiaries of the Group. The net assets disposed of are as follows:

(iii) Food Idea Capital Limited (“Food Idea Capital”)

On 2 April 2019, the Group disposed of its entire equity interest in Food Idea Capital, together with the assignment of sale loan at an aggregate cash consideration of HK\$13,380,000. The disposal of Food Idea Capital was completed on 31 May 2019 and upon completion of the disposal, Food Idea Capital ceased to be a wholly-owned subsidiary of the Group. The net liabilities disposed of are as follows:

(iv) Food Idea Investment Limited (“Food Idea Investment”)

On 31 December 2019, the Group disposed of its entire equity interest in Food Idea Investment, which in turns own the entire equity interest in a subsidiary incorporated in the PRC with limited liability at cash consideration of HK\$1. The disposal of Food Idea Investment was completed on 31 December 2019 and upon completion of the disposal, Food Idea Investment and its subsidiary ceased to be wholly owned subsidiaries of the Group. The net liabilities disposed of are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

35. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

Analysis of assets and liabilities over which control was lost:

	ACE Kinetic HK\$'000	Tong Chao HK\$'000	Food Idea Capital HK\$'000	Food Idea Investment HK\$'000
Property, plant and equipment	8	–	12,061	–
Trade receivables	7	284	–	–
Prepayments and deposits	172	1	16	3
Bank balances and cash	69	574	–	10
Trade payables	(69)	(95)	–	–
Other payables and accruals	(76)	(16)	–	(17)
Amount due to non-controlling interests	–	(245)	–	–
Amount due to immediate holding company	–	(314)	(12,665)	–
Tax payable	–	(21)	–	–
Amounts due to related companies	(607)	–	–	–
Net liabilities disposed of	(496)	168	(588)	(4)

Analysis of gain on disposal

	ACE Kinetic HK\$'000	Tong Chao HK\$'000	Food Idea Capital HK\$'000	Food Idea Investment HK\$'000
Cash consideration	7	400	13,380	–
Net liabilities disposed of	496	(168)	588	4
Amount due to immediate holding company assigned to purchaser	–	(314)	(12,665)	–
Non-controlling interests	(149)	124	–	–
Reclassification of foreign currency translation reserve upon disposal of subsidiaries	–	–	–	40
Expenses in relation to the disposal incurred by the Group	–	–	(233)	–
Gain on disposal	354	42	1,070	44

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

35. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

Analysis of net cash inflow arising from disposal

	ACE Kinetic HK\$'000	Tong Chao HK\$'000	Food Idea Capital HK\$'000	Food Idea Investment HK\$'000
Consideration received	7	400	13,380	–
Less: bank balances and cash disposed and expenses in relation to the disposal incurred by the Group	(69)	(574)	–	(10)
	–	–	(233)	–
Net cash (outflow)/inflow	(62)	(174)	13,147	(10)

36. CAPITAL RISK MANAGEMENT

The Group manages the capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remained unchanged from prior year.

The capital structure of the Group consists of total debts (including borrowings, promissory notes and lease liabilities), net of bank balances and cash, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group expects to maintain a stable gearing ratio through the issue of new shares as well as the undertaking of new debts. Gearing ratio is calculated as net debt (borrowings, promissory notes and lease liabilities, less bank balances and cash) divided by the total of net debt and total equity (excluding non-controlling interests).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

36. CAPITAL RISK MANAGEMENT (Continued)

The gearing ratios as at 31 December 2020 and 2019 are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total debt	76,338	96,203
Bank balances and cash	(7,917)	(4,079)
Net debt	68,421	92,124
Equity attributable to owners of the company	368,324	360,318
Gearing ratio	19%	26%

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial assets		
Financial assets at amortised cost	44,210	62,680
Financial liabilities		
Financial liabilities at amortised cost	93,434	119,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan and interest receivables, trade receivables, loan to and amounts due from associates, amounts due from joint ventures, deposits and other receivables, financial assets at FVTPL, bank balances and cash, trade payables, other payables and accruals, borrowings, promissory notes and lease liabilities. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

As at 31 December 2020 and 2019, the Group is exposed to fair value interest rate risk in relation to loan receivables, secured other borrowings, promissory notes and lease liabilities which carried at fixed rates.

As at 31 December 2020 and 2019, the Group is also exposed to cash flow interest rate risk in relation to bank balances and borrowings, and details of which are set out in notes 25 and 37 to the consolidated financial statements respectively. It is the Group's policy to keep them at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR"), Hong Kong Prime Rate ("Prime Rate") and the best lending rate of respective banks arising from the Group's secured bank borrowings respectively.

The Group's exposure to cash flow interest rate risk in relation to bank balances is minimal as these balances have a short maturity period.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate secured bank borrowings at the end of the reporting period. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2019: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis (Continued)

An increase/decrease of 100 basis points (2019: 100 basis points) in interest rates, with all other variables were held constant, would increase/decrease the Group's loss before tax for the year by approximately HK\$695,000 (2019: HK\$150,000).

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 December 2020 and 2019, the Group had not breached any of the covenant clauses of its obligations under borrowings (Note 25).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

At 31 December 2020					
	Weighted average effective Interest rate	Within one year or On demand HK\$'000	1-5 years HK\$'000	Total Undiscounted Cash flow HK\$'000	Carrying Amount HK\$'000
Non-derivative financial liabilities					
Trade payables	–	589	–	589	589
Other payables and accruals	–	16,507	–	16,507	16,507
Borrowings (Note (i))	4.41%	72,810	–	72,810	69,537
Promissory notes	2.30%	5,784	–	5,784	5,654
Lease liabilities	8.23%	1,241	–	1,241	1,147
		<u>96,931</u>	<u>–</u>	<u>96,931</u>	<u>93,434</u>
At 31 December 2019					
	Weighted average effective Interest rate	Within one year or On demand HK\$'000	1-5 years HK\$'000	Total Undiscounted Cash flow HK\$'000	Carrying Amount HK\$'000
Non-derivative financial liabilities					
Trade payables	–	9,179	–	9,179	9,179
Other payables and accruals	–	14,006	–	14,006	14,006
Borrowings (Note (i))	2.31%	14,981	–	14,981	14,981
Promissory notes	7.12%	5,201	85,167	90,368	79,288
Lease liabilities	8.72%	1,208	883	2,091	1,934
		<u>44,575</u>	<u>86,050</u>	<u>130,625</u>	<u>119,388</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Notes:

- (i) As at 31 December 2020, instalment loans with repayment on demand clause are included in the “within one year or on demand” time band in the above maturity analysis and at 31 December 2020, the aggregate undiscounted principal amount of the instalment loans amounted to approximately HK\$69,537,000 (2019: HK\$9,080,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that the instalment loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$71,519,000 (2019: HK\$10,932,000).

As at 31 December 2019, included in borrowings are bank overdrafts of approximately HK\$590,000 with a demand clause of which no interest element is considered in the calculation of undiscounted cash flow.

- (ii) Weighted average effective interest rate is determined based on variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade receivables, loan and interest receivables, loan to an associate and amount due from associates, amounts due from joint ventures, deposits and other receivables and financial assets at FVTPL. The Group’s exposure to credit risk arising from bank balances is limited because the counterparties are large banks that have low credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Loan and interest receivables

The Group's credit policy specifies the credit approval, review and monitoring processes. All new customers of the Group are subject to account opening procedures which include financial background checks for credit verification purpose. Credit limit applications are guided by a set of credit principles and these applications are subject to regular independent review. The directors are responsible to ensure the credit policies and operation manual are appropriate to the market need and the Group's loans department ensures the credit approval, review and monitoring processes as per stipulated in the manual are properly followed by the operation staff.

The Group also adopts a "two eyes" process requiring credit approval at successively higher levels or committees depending on, among other things, the size and nature of the proposed transactions.

The credit quality classification of gross loans and interest receivable (before impairment allowance) using the Group's credit rating system is set out in the table below:

	2020 HK\$'000	2019 HK\$'000
Performing	–	2,483
Doubtful	–	258
	–	2,741

The Group considers all loan receivables as doubtful if the repayment of principal and/or interest has been overdue for more than 3 months and principal, accrued interest and/or future interest may not be fully secured by the fair value of collateral at its prevailing market price. The Group considers the loan and interest receivables as loss if the repayments of principal and/or interest have been overdue for more than 6 months for all types of loan and interest receivables; and in cases the collection of principal and/or interest in full is improbable after taking into account the fair values of the collateral at prevailing market prices.

Based on the above individual assessment, the loans department of the Group proposes to the management of the Company the amount of impairment provision to be made at least on a regular basis. The Group also performs collective assessment of the loans and interest receivable by grouping together all its receivables with similar credit risk characteristics. The impairment provision is made based on the historical impairment rates of receivables with similar credit risk characteristic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Loan and interest receivables (Continued)

An analysis of changes in the gross amount of loans and interest receivables is as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and interest receivables				
At 1 January 2019	35,769	–	19,620	55,389
New loans/financing originated	26,228	–	–	26,228
Loans/financing derecognised or repaid during the year (other than write-offs)	(59,428)	–	(19,448)	(78,876)
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(6)	6	–	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(80)	–	80	–
Total transfer between stages	(86)	6	80	–
At 31 December 2019 and at 1 January 2020	2,483	6	252	2,741
Loans/financing derecognised or repaid during the year (other than write-offs)	(2,483)	(6)	(252)	(2,741)
At 31 December 2020	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Loan and interest receivables (Continued)

An analysis of changes in the corresponding ECL allowances is as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1 January 2019	–	–	172	172
New loans/financing originated	5	–	80	85
Loans/financing derecognised or repaid during the year (other than write-offs)	–	–	–	–
At 31 December 2019 and at 1 January 2020	5	–	252	257
Loans/financing derecognised or repaid during the year (other than write-offs)	(5)	–	(252)	(257)
At 31 December 2020	–	–	–	–

Collateral is obtained in respect of secured fixed installment loans which made up to 53% of the total loan receivables as at 31 December 2019. Such collaterals comprise residential and commercial properties and unlisted equity securities pledged against the balances. As at 31 December 2019, the fair value of collaterals for the mortgage loans which are mainly residential flats based on its prevailing market prices amounted to approximately HK\$7.9 million.

The credit risk on bank and cash balances and other receivables is limited because the counterparties are banks with high credit-ratings.

The Group does not provide any guarantees to members or entity outside of the Group which would expose the Group to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables

The Group's trade receivables, before impairment, consist of approximately HK\$33,010,000 (2019: HK\$34,337,000) from wine business segment respectively.

The directors have reviewed the creditability of the trade receivable balances from the food product operation segment and considered the exposure on credit risks associated with these debtors are minimal as most of these debtors are reputable companies with no history of default.

For wine trading segment, the Group uses debtors' ageing to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL.

	At 31 December 2020			At 31 December 2019		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Not yet due	0.54	30,351	164	0.23	34,301	80
1-30 days past due	–	–	–	0.46	10	–
31-60 days past due	–	2,156	–	0.70	13	–
Over 60 days past due	–	503	–	1.76	13	–
		<u>33,010</u>	<u>164</u>		<u>34,337</u>	<u>80</u>

None of the Group's trade receivables balance was credit-impaired at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12 months ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies.

Loan and amounts due from associates and joint ventures

The Group regularly monitor the business performance of the associates and joint ventures. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors of the Company believe that the operations of these associates and joint ventures are experiencing significant difficulties in their respective industry and have assessed the potential impairment based on lifetime ECL.

During the year ended 31 December 2019, the Group has recognised impairment on amounts due from associates and joint ventures of approximately HK\$771,000 and HK\$26,000 respectively, the impairment was arrived based on the management's assumptions on the continuity of the associates and joint ventures.

Deposits and other receivables

For deposits and other receivables, the directors make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provide impairment based on 12 months ECL. For the years ended 31 December 2020 and 2019, the Group assessed ECL for deposits and other receivables were insignificant and thus no loss allowance was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Non-cash changes									At 31 December 2020 HK\$'000
	At 1 January 2020 HK\$'000	Financing Cash flow HK\$'000	New Lease entered HK\$'000	Termination of Prepayment HK\$'000	Loss on early termination of promissory note HK\$'000	Interest Expenses incurred HK\$'000	Loss on early redemption of promissory notes HK\$'000	Acquisition of businesses HK\$'000	Termination of lease liabilities HK\$'000	
Borrowing (excluding bank overdrafts)	9,080	60,458	-	-	-	-	-	-	-	69,538
Promissory notes	79,288	(66,555)	-	(51,598)	4,264	3,092	3,946	33,217	-	5,654
Lease liabilities	1,934	(1,000)	1,471	-	-	96	-	-	(1,354)	1,147
	<u>90,302</u>	<u>(7,097)</u>	<u>1,471</u>	<u>(51,598)</u>	<u>4,264</u>	<u>3,188</u>	<u>3,946</u>	<u>33,217</u>	<u>(1,354)</u>	<u>76,339</u>

	Non-cash changes								At 31 December 2019 HK\$'000
	At 1 January 2019 HK\$'000	Financing Cash flow HK\$'000	New Lease entered HK\$'000	Prepayment For inventories HK\$'000	Interest Expenses incurred HK\$'000	Loss on early redemption of promissory notes HK\$'000	Acquisition of businesses HK\$'000		
Borrowing (excluding bank overdrafts)	22,783	(13,703)	-	-	-	-	-	-	9,080
Promissory notes	67,689	(87,418)	-	51,598	7,391	4,906	35,122	-	79,288
Lease liabilities	-	(325)	2,210	-	49	-	-	-	1,934
	<u>90,472</u>	<u>(101,446)</u>	<u>2,210</u>	<u>51,598</u>	<u>7,440</u>	<u>4,906</u>	<u>35,122</u>		<u>90,302</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Investment in subsidiaries	20	20
Property, plant and equipment	3	8
	23	28
Current assets		
Prepayments	250	242
Amounts due from subsidiaries	313,977	373,738
Bank balances and cash	196	189
	314,423	374,169
Current liabilities		
Other payables and accruals	1,138	2,055
Amount due to a subsidiary	–	24
Promissory notes	–	5,147
	1,138	7,226
Net current assets	313,285	366,943
Total assets less current liabilities	313,308	366,971
Non-current liability		
Promissory notes	5,654	74,141
Net assets	307,654	292,830
Capital and reserves		
Share capital	58,658	41,493
Reserves	248,996	251,337
Total equity	307,654	292,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note)</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2019	618,040	1,276	12,706	(347,695)	284,327
Loss and total comprehensive expenses for the year	-	-	-	(77,512)	(77,512)
Recognition of equity-settled share-based payments <i>(Note 32)</i>	-	2,979	-	-	2,979
Issue of consideration shares	14,044	-	-	-	14,044
Issue of new shares upon rights issue	6,829	-	-	-	6,829
Placing of unsubscribed rights shares	13,641	-	-	-	13,641
Issue of shares upon exercise of share options <i>(Note 32)</i>	12,546	(4,255)	-	-	8,291
Share issuing expenses	(1,262)	-	-	-	(1,262)
At 31 December 2019 and at 1 January 2020	663,838	-	12,706	(425,207)	251,337
Loss and total comprehensive expenses for the year	-	-	-	(17,168)	(17,168)
Recognition of equity-settled share based payments <i>(Note 32)</i>	-	1,629	-	-	1,629
Issue of consideration shares	7,560	-	-	-	7,560
Issue of new shares upon rights issue	4,426	-	-	-	4,426
Issue of share upon exercise of share options	2,962	(1,629)	-	-	1,333
Share issuing expenses	(121)	-	-	-	(121)
At 31 December 2020	678,665	-	12,706	(442,375)	248,996

Note: The capital reserve represents the difference between the nominal value of the shares issued for the acquisition of equity interests in the subsidiaries as part of re-organisation and the consolidated equity of the subsidiaries acquired by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

40. PARTICULAR OF SUBSIDIARIES OF THE COMPANY

Particulars of subsidiaries of the Company as at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid up ordinary share capital	Percentage of ownership interest Attributable to the Company				Proportion of voting power held by the group		Principal activities
			2020		2019		2020	2019	
			Direct	Indirect	Direct	Indirect			
Avis Glory Limited	BVI	US\$1	-	-	-	100%	-	100%	Investment holding
Arrow Vision Limited	BVI	US\$1	100%	-	100%	-	100%	100%	Investment holding
Excellent Catering Management Limited ("Excellent Catering") <i>(Note i)</i>	Hong Kong	HK\$10,000	-	48%	-	48%	60%	60%	Production, sales and distribution of food products
Food Idea Food Trading Limited	Hong Kong	HK\$41	-	100%	-	100%	100%	100%	Securities holding
Food Idea Group Limited	BVI	US\$1	100%	-	100%	-	100%	100%	Investment holding
Happy Profit	BVI	US\$1	-	100%	-	-	100%	-	Investment holding
Irving Global	BVI	US\$10,000	-	100%	-	-	100%	-	Investment holding
Lucky Great Investment Limited ("Lucky Great")	Hong Kong	HK\$3,750,000	-	83%	-	83%	100%	100%	Investment holding
Nicecity Limited ("Nicecity") <i>(Note (i))</i>	Hong Kong	HK\$50,000	-	48%	-	48%	60%	60%	Production, sales and distribution of food products
Palinda HK	Hong Kong	HK\$10,000	-	100%	-	-	100%	-	Trading of wine products
Palinda Holding	BVI	US\$6,000	-	100%	-	-	100%	-	Investment holding
Palinda Investment Company Limited	Hong Kong	HK\$10,000	100%	-	100%	-	100%	100%	Investment holding
Palinda Wines Limited	Hong Kong	HK\$100	-	100%	-	-	100%	-	Retailing of wine products
Phini Holdings Limited	Hong Kong	HK\$210,000	-	99.62%	-	-	100%	-	Trading of wine and ancillary wine-relate products

* for identification purposes only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

40. PARTICULAR OF SUBSIDIARIES OF THE COMPANY (Continued)

All subsidiaries are companies incorporated with limited liability in their respective place of incorporation.

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

- (i) Lucky Great held 58% equity interests in both Nicecity and Excellent Catering, a non-wholly owned subsidiary of the Group which the Group hold 83% equity interest. The Group can exercise control over Nicecity and Excellent Catering via its control over Lucky Great.

The directors considered that the non-controlling interest of non-wholly owned subsidiaries of the Group were insignificant to the Group and thus are not separately presented in these consolidated financial statements. In addition, no separate financial information of these non-wholly owned subsidiaries are required to present.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

41. MAJOR NON-CASH TRANSACTION

The Group entered into the following major non-cash investing and financing activities, which were not reflected in the consolidated statement of cash flows:

- (a) On 3 January 2020, the Group completed the acquisition of Win Everest at the aggregate consideration of approximately HK\$52,077,000, satisfied by (i) issue of 6,300,000 considerations shares and (ii) issue of 2020 Promissory Note H and (iii) HK\$5,000,000 by cash. Details of the acquisition are set out in note 34 to the consolidated financial statements.
- (b) During the year ended 31 December 2020, the Group entered into new lease agreements for the use of leased properties for two years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately HK\$1,481,000 and HK\$1,471,000 respectively.

42. EVENT AFTER THE END OF THE REPORTING PERIOD

On 21 January 2021, the Group and an independent third party entered into a sale and purchase agreement to acquire the 50.77% equity interest in Mask King Technology Company Limited at the consideration of HK\$32,850,000 (the "Acquisition"). The consideration shall be satisfied by payment of HK\$9,000,000 in cash by the Group and issue of the consideration Shares by the Company at the Issue Price. The proposed Acquisition was terminated on 3 March 2021.

SUMMARY OF FINANCIAL INFORMATION

RESULTS	Year ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	152,511	230,692	184,834	111,148	286,068
Loss before tax	(40,965)	(52,498)	(100,335)	(79,470)	(371,671)
Income tax credit (expenses)	2,917	(835)	–	(131)	39,241
Loss for the year	(38,048)	(53,333)	(100,335)	(79,601)	(332,430)
ASSETS AND LIABILITIES	As at 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current assets	386,010	422,403	383,102	312,218	260,411
Non-current assets	82,930	60,127	83,343	162,517	159,531
Total assets	468,940	482,530	466,445	474,735	419,942
Current liabilities	87,681	48,581	51,369	31,209	27,648
Non-current liabilities	18,236	74,993	67,689	–	77,214
Total liabilities	105,917	123,574	119,058	31,209	104,862
Net assets	363,023	358,956	347,387	443,526	315,080
Equity attributable to owners of the Company	368,324	360,318	348,995	442,085	313,460
Non-controlling interests	(5,301)	(1,362)	(1,608)	1,441	1,620
	363,023	358,956	347,389	443,526	315,080