



# **WING LEE**

## **PROPERTY INVESTMENTS LIMITED**

### **永利地產發展有限公司\***

(Incorporated in Bermuda with limited liability)

Stock code: 864

Annual Report

# **2019**

*\* For identification purposes only*

Corporate Information	2
Chairperson's Statement	3
Management Discussion and Analysis	5
Directors and Senior Management Profile	11
Corporate Governance Report	14
Environmental, Social & Governance Report	26
Other Information	32
Directors' Report	36
Independent Auditor's Report	46
Consolidated Statement of Profit or Loss and Other Comprehensive Income	51
Consolidated Statement of Financial Position	52
Consolidated Statement of Changes in Equity	54
Consolidated Statement of Cash Flows	55
Notes to the Consolidated Financial Statements	56
Financial Summary	113
Summary of Investment Properties held by the Group	114

# WING LEE PROPERTY INVESTMENTS LIMITED

## CORPORATE INFORMATION

### DIRECTORS

#### **Executive Directors**

Ms. Chau Choi Fa (*Chairperson*)  
Ms. Wong Siu Wah (*Chief Executive Officer*)  
Ms. Wong Vivien Man-Li  
Ms. Chow Woon Yin

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

Mr. Lam John Cheung-wah  
Dr. Tse Kwok Sang  
Mr. Chui Chi Yun Robert

### COMPANY SECRETARY

Mr. Ng Ho Yin Owen

### INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

### LEGAL ADVISORS

#### **Bermuda**

Conyers Dill & Pearman

#### **Hong Kong**

Reed Smith Richards Butler

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited  
Dah Sing Bank, Limited

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL

#### PLACE OF BUSINESS

Office J, 11/F, King Palace Plaza  
55 King Yip Street  
Kwun Tong, Kowloon  
Hong Kong

### SHARE REGISTRARS

#### **Bermuda Principal**

Conyers Corporate Services (Bermuda) Limited  
Clarendon House, 2 Church Street  
Hamilton, HM 11  
Bermuda

#### **Hong Kong Branch**

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

### STOCK CODE

Stock Code on The Stock Exchange of  
Hong Kong Limited: 864

### CORPORATE WEBSITE

[www.wingleeproperties.com](http://www.wingleeproperties.com)

## CHAIRPERSON'S STATEMENT

On behalf of the board of directors (the "Board") of Wing Lee Property Investments Limited (the "Company"), I am pleased to present the audited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 (the "year" or "reporting period").

### BUSINESS REVIEW

The Group continued to engage in its business of leasing completed commercial and residential properties in Hong Kong. As at 31 December 2019, the aggregate market value of the Group's investment properties was approximately HK\$1,015,120,000, representing a decrease of approximately HK\$101,746,000 as compared to 2018. This decrease was mainly due to net decrease in fair value of the investment properties of approximately HK\$107,212,000, which was netted off with the Group's expansion of its investment property portfolio through the acquisition of one investment property located in Mong Kok, at an aggregate consideration of approximately HK\$5,466,000.

The Group's main source of income is rental generated from the Group's investment properties. The rental income was approximately HK\$33,209,000 for the year ended 31 December 2019, representing a slight increase of approximately 2.7% as compared to 2018. The slight increase was mainly due to full year effect of rent received from the two new properties acquired in 2018 and one new property acquired in 2019.

The Group's total comprehensive expense attributable to the owners of the Company for 2019 was approximately HK\$96,473,000, whereas the Company recorded a total comprehensive income in 2018 of approximately HK\$19,594,000. This was mainly attributable to a net decrease in fair value of the Group's investment properties in 2019 of approximately HK\$107,212,000, while an increase in fair value of approximately HK\$2,150,000 was recorded in 2018. As the net decrease in fair values of the Group's investment properties is a non-cash item and the business of the Group is long-term investment and leasing of properties, they do not have any material adverse effect on the operations of the Group.

### PROSPECTS

Due to various factors including the continued trade dispute between the US and China as well as social unrest in Hong Kong during the second half of 2019, Hong Kong's economy experienced negative growth and the property market was adversely affected. As we enter 2020, the outbreak of coronavirus disease (COVID-19) together with the challenges posed by the social unrest in Hong Kong in the past months mean a double blow to the Hong Kong economy and further contribute to a downward trend in the Hong Kong property market. Despite the above uncertainties, the Group remains cautiously optimistic about the Hong Kong property market due to Hong Kong's firm economic base.



## CHAIRPERSON'S STATEMENT

Looking ahead to 2020, it is anticipated that rental income of the Group in the coming year is likely to be adversely affected. Fortunately, up to now, the Group's portfolio continues to maintain high occupancy rates. To maintain occupancy rates, the Group will closely monitor economic developments and property market changes and make rental policy adjustments accordingly.

In the Group's efforts to maintain competitiveness and ensure shareholder returns, the Group has been cautiously exploring opportunities to diversify its business beyond the rental property market. The Group hopes to gain property redevelopment experience from its investment in a fund that is engaged in a property redevelopment project in Kwun Tong, Kowloon back in 2018. The Group is optimistic about the potential redevelopment and appreciation in value of the relevant property following the redevelopment and believes that the investment in the aforesaid fund will bring positive returns to the Group in the long run.

Currently, the Group does not have plans for any material investments or acquisitions of capital assets. Due to market uncertainties, the Group will continue to maintain a conservative treasury policy.

The Group will continue to cautiously explore and expand its investment portfolio and may look beyond the Hong Kong region for investment opportunities in efforts to maintain competitiveness.

### APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to all of our shareholders, tenants and professional parties for their continued support and I would also like to thank all of our colleagues and my fellow directors for their efforts and contributions to the Company.

**Chau Choi Fa**

*Chairperson*

Hong Kong, 21 February 2020

# WING LEE PROPERTY INVESTMENTS LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

In millions of Hong Kong dollars except where specified

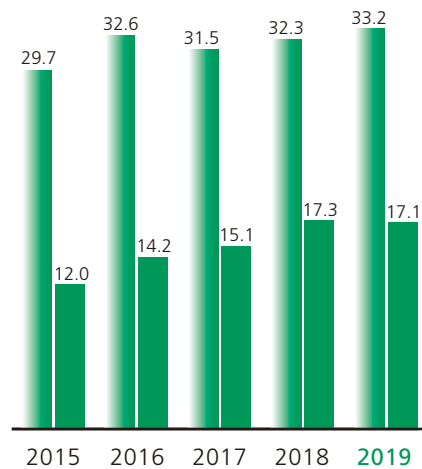
		2019	2018
For the year	Revenue	33.2	32.3
	(Decrease)/increase in net changes in fair value of investment properties	(107.2)	2.2
	(Loss)/profit for the year attributable to owners of the Company	(90.1)	19.4
As at 31 December	Capital & reserves attributable to owners of the Company	982.7	1,086.9
	Shares in issue (thousands)	386,176	386,176
Ratio	Return before the net changes in fair value of investment properties on capital & reserves attributable to owners of the Company (%)	1.7	1.6
Per Share	Net worth per share (HK\$)	2.54	2.81
	(Loss)/earnings per share (HK cents)	(23.33)	5.04

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

Revenue/Net Operating Profit

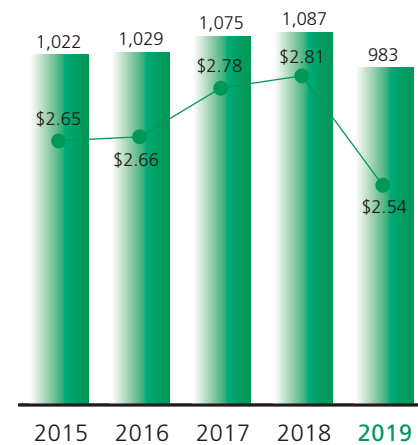
HK\$ Million



■ Revenue  
■ Net operating profit attributable to shareholders\*

Shareholders' Funds/Net Assets per Share

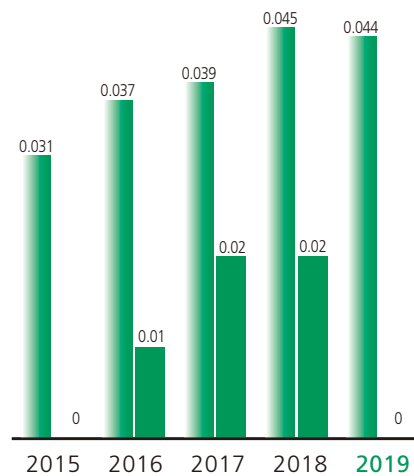
HK\$ Million/HK\$



■ Shareholders' funds  
● Net assets per share (HK\$)

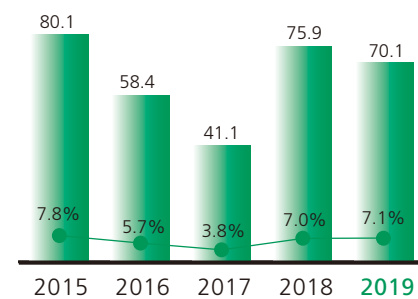
Operating Earnings/Dividend per Share

HK\$



■ Operating Earnings per share\*  
■ Dividend per share

Gearing/Borrowings



● Debt to equity ratio  
■ Borrowings (HK\$ Million)

\* Excluding the impacts of net changes in fair value of investment properties (net of taxation)

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATIONS

The Group is engaged in the business of property investment, principally the leasing of completed commercial and residential properties in Hong Kong. As at 31 December 2019, the Group held an investment property portfolio of 38 properties located in Hong Kong and one property located in the People's Republic of China (the "PRC").

During the year ended 31 December 2019, the Group expanded its investment property portfolio and completed the acquisition of one investment property located in Mong Kok, at an aggregate consideration of approximately HK\$5,466,000. This property is located within close proximity to some of the Group's existing investment properties. The Group continues to hold an investment portfolio in 2019, through a 10% investment in Epic Capital Development Fund I, L.P. (the "Fund"), an exempted limited partnership established in the Cayman Islands that is engaged in a property redevelopment project in No. 32 Hung To Road, Kwun Tong, Kowloon. The consideration paid for these acquisitions was financed by the Group's internal funds and bank borrowings.

The Group did not introduce or announce any new business or services for the year ended 31 December 2019.

### RESULTS

Our total comprehensive expense for the year attributable to owners of the Company for 2019 was approximately HK\$96,473,000 (2018: approximately HK\$19,594,000 total comprehensive income), representing a change from profit to loss as compared to 2018. Such decrease was mainly attributable to a decrease in the net changes in fair value of the Group's investment properties.

Loss per share for 2019 was HK\$0.2333 (2018: earnings per share of HK\$0.0504), representing a decrease of earnings of HK\$0.2837 per share from last year.

### FINANCIAL REVIEW

#### **Liquidity and Capital Resources**

As at 31 December 2019, the net current liabilities of the Group amounted to approximately HK\$27,788,000 (31 December 2018: approximately HK\$23,462,000). The current ratio, expressed as current assets over current liabilities, was approximately 0.26 (31 December 2018: approximately 0.25).

Net current liabilities was generated as the Group expanded its investment property portfolio during the year ended 31 December 2019. Acquisition of the investment property located in Mong Kok during the year resulted in an additional cash outflow from investing activities as consideration paid for this acquisition was financed by the Group's internal funds. After taking into account the available banking facilities as at the reporting date, and the estimated cash flows generated from the Group's operations, the directors of the Company are satisfied that the Group will have sufficient working capital for its present requirements for the foreseeable future. As such, the management believes that the Group is well positioned with sufficient operating funds to manage its existing operations and investment plans.



## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, the total equity of the Group was approximately HK\$982,726,000 (31 December 2018: approximately HK\$1,086,923,000), representing a decrease of approximately HK\$104,197,000 from the previous year-end.

Bank deposits and cash of the Group as at 31 December 2019 were approximately HK\$8,473,000 (31 December 2018: approximately HK\$6,864,000). As at 31 December 2019, the Group had neither short-term bank deposits nor fixed bank deposits (31 December 2018: approximately HK\$594,000). The increase in the Group's bank deposits and cash and current ratio were mainly attributable to a new bank loan of HK\$10,000,000 raised during the year which was netted off with the use of funds in connection with the acquisition of one investment property during the year.

As at 31 December 2019, the carrying amount of our bank loans was approximately HK\$70,131,000 (31 December 2018: approximately HK\$75,890,000). As at 31 December 2019, all of the bank loans were secured by mortgages over certain investment properties and property, plant and equipment of the Group with carrying amounts of approximately HK\$498,882,000 (31 December 2018: approximately HK\$546,543,000) and carry interest at HIBOR plus 0.70% to 1.95% per annum (31 December 2018: HIBOR plus 0.70% to 1.95% per annum). As at 31 December 2019, the Group had unutilised bank loan facilities of HK\$40,000,000 (31 December 2018: HK\$50,000,000).

Of the total bank loans as at 31 December 2019, approximately HK\$19,777,000 (or approximately 28.2%) was repayable within one year or on demand. Approximately HK\$29,733,000 (or approximately 42.4%) was repayable after one year but within two years. Approximately HK\$20,621,000 (or approximately 29.4%) was repayable after two years but within five years. None was repayable after five years.

Of the total bank loans as at 31 December 2018, approximately HK\$16,552,000 (or approximately 21.8%) was repayable within one year or on demand. Approximately HK\$8,979,000 (or approximately 11.8%) was repayable after one year but within two years. Approximately HK\$50,359,000 (or approximately 66.4%) was repayable after two years but within five years. None was repayable after five years.

The Group's total debt to equity ratio, calculated as total borrowings of approximately HK\$70,131,000 (31 December 2018: approximately HK\$75,890,000) divided by shareholder's equity of the Group of approximately HK\$982,726,000 (31 December 2018: approximately HK\$1,086,923,000) was approximately 0.07 as at 31 December 2019 (31 December 2018: approximately 0.07). There was a new bank loan of HK\$10,000,000 (2018: HK\$52,245,000) raised for the purpose of financing the Group's working capital needs during the year which was netted with bank loan repayment made during the year, thus making the Group's total debt to equity ratio relatively stable.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Expenditure

Capital expenditure incurred by our Group (representing acquisition of investment properties and property, plant and equipment) for the year ended 31 December 2019 was approximately HK\$5,466,000 (2018: HK\$80,867,000). In 2019, the Group expanded its investment property portfolio and completed the acquisition of one investment property located at 6th Floor, No. 658 Shanghai Street, Kowloon at an aggregate consideration of approximately HK\$5,466,000. The Group anticipates that the funding required for future capital expenditure will be principally financed by cash generated from operations and bank borrowings, although the Group may consider raising additional funds as and when appropriate.

### Capital commitments

As at 31 December 2019 and 31 December 2018, the Group had a total capital commitment of approximately HK\$40,000,000, contracted for but not provided for in the financial statements in respect of its investment in the Fund.

### Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2019 and 31 December 2018.

### Pledge of assets

As at 31 December 2019, certain of the Group's investment properties with a carrying value of approximately HK\$485,100,000 (31 December 2018: approximately HK\$532,260,000) have been pledged to secure bank loans of the Group.

As at 31 December 2019, one of the Group's leasehold land and buildings with a carrying value of approximately HK\$13,782,000 (31 December 2018: approximately HK\$14,283,000) has been pledged to secure a bank loan of the Group.

As at 31 December 2018 and 31 December 2019, the Group did not have any finance lease.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2019.

### TREASURY POLICIES

The Group principally operates in Hong Kong and the revenue, operating cost and borrowings were mainly denominated in Hong Kong dollars. As a result, the Group has minimal exposure to exchange rate fluctuation.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollars. The Group does not use any financial instruments for hedging purpose.

### RISK MANAGEMENT

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk within the organisation and the external environment with active management participation and effective internal control procedures in the best interest of the Group and its shareholders.

### HUMAN RESOURCES

As at 31 December 2019, the Group had 7 employees (31 December 2018: 7 employees) in Hong Kong. The Group recorded staff costs of approximately HK\$5,605,000 for the year ended 31 December 2018 (2018: approximately HK\$5,842,000).

All of our employees have employment contracts that cover matters such as wages, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis. The Group grants discretionary bonuses to qualified employees based on operation results and individual performance.

No new share options were granted in 2019 and 2018.

### FINAL DIVIDEND

A final dividend for the year ended 31 December 2018 of HK\$0.02 per share was paid in May 2019, totalling HK\$7,723,515.16. The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: HK\$0.02 per share).

## **DIRECTORS AND SENIOR MANAGEMENT PROFILE**

### **EXECUTIVE DIRECTORS**

Ms. Chau Choi Fa (“Ms. Chau”), aged 52, is an executive director and the chairperson of the Company. Ms. Chau is the spouse of Mr. Chow Tak Hung, the controlling shareholder of the Company. Ms. Chau is also the sister-in-law of Ms. Chow Woon Yin, an executive director of the Company. Ms. Chau has been responsible for overseeing the property division of the Group since 2007. Ms. Chau has over 20 years of experience in property investments and related activities in Hong Kong and overseas. She is responsible for the overall strategic planning of the Group.

Ms. Wong Siu Wah (“Ms. Wong”), aged 72, is an executive director and the chief executive officer of the Company. Ms. Wong is the mother of Ms. Wong Vivien Man-Li, an executive director of the Company. Ms. Wong has been responsible for overseeing the property business of the Group since 2001. She has over 20 years of management experience in the electronics industry as well over 20 years of experience in property investments and related activities in Hong Kong, as well as overseas. She is responsible for the overall strategic planning of the Group as well as overall administration of the Group.

Ms. Wong Vivien Man-Li (“Ms. Vivien Wong”), aged 38, is the daughter of Ms. Wong and an executive director of the Company. Ms. Vivien Wong joined the Group in 2011 and has over five years of experience in property and rental management. She holds a Bachelor of Laws degree from the University of Manchester, United Kingdom, and a Bachelor of Science degree from the University of Waterloo, Canada and is licensed to practice law as a solicitor and barrister in Ontario, Canada (currently non-practising) and is a member of the Law Society of Ontario (formerly known as the Law Society of Upper Canada). She is responsible for the overall management and corporate policy of the Group.

Ms. Chow Woon Yin (“Ms. Chow”), aged 63, is an executive director of the Company, Ms. Chow is the younger sister of Mr. Chow Tak Hung, the controlling shareholder of the Company, and the sister-in-law of Ms. Chau, an executive director and the chairperson of the Company. Ms. Chow is the mother of Lui Siu Fung, a former executive director of the Company who resigned with effect from 19 September 2018. Ms. Chow joined the Group on 19 September 2018 and has over 20 years of experience in property investments and related activities in Hong Kong and overseas. She is responsible for overall strategic planning of the Group together with the other executive directors.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam John Cheung-wah ("Mr. Lam"), aged 65, joined the Group in 2013. Mr. Lam worked in the banking industry for more than 30 years. He is the vice chairman and an executive director of Nan Fung Property Holdings Limited which is engaged in property investments and development. Prior to this, he was an executive director of Dah Sing Bank, Limited and a director of Dah Sing Securities Limited, Dah Sing Life Assurance Co. Limited and Dah Sing Bank (China) Limited. Mr. Lam was employed by Hang Seng Bank Limited as an assistant general manager from 2003 to 2005. Prior to joining Hang Seng Bank Limited, Mr. Lam worked in various senior positions in The Hongkong and Shanghai Banking Corporation Limited and the Royal Bank of Canada for over 21 years. Mr. Lam obtained in June 1988 and June 1977, respectively, a Bachelor Degree in Business Management and a Marketing Diploma from Ryerson Polytechnical Institute, now Ryerson University in Toronto, Canada, and was designated as a Fellow of the Institute of Canadian Bankers in 1980. Mr. Lam is the vice chairman of China Real Estate Chamber of Commerce Hong Kong and International Chapter Limited, and also a member of the Chinese People's Political Consultative Conference Guangzhou Committee.

Dr. Tse Kwok Sang ("Dr. Tse"), aged 63, joined the Group in 2013. He is currently a Principal Lecturer of the Faculty of Business and Economics of The University of Hong Kong. Dr. Tse has published articles and other publications on the subject of real estate finance and economics, financial regulations and capital markets and investments. He served on the examination panel of the Estate Agents Authority of Hong Kong from 1999 to 2010. Currently, Dr. Tse is a Co-Opted Councillor and Co-Opted Member of the Executive Committee of the 33rd term of the Heung Yee Kuk New Territories and he was appointed by the Government of Hong Kong as a Justice of the Peace in 2010. He is also an independent non-executive director of Ajia Partners Asia Absolute Return Fund Limited which is listed on the Irish Stock Exchange. Dr. Tse obtained in June 1990 a Ph.D. in Business Administration from Michigan State University in the United States. He is an Associate Member of the Society of Actuaries. Dr. Tse has been an independent non-executive director of Sunlight Real Estate Investment Trust since its listing on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 435) since May 2006 and is also an independent non-executive director of GTI Holdings Limited (formerly known as Addchance Holdings Limited) which is also listed on the Stock Exchange (stock code: 3344). Dr. Tse was also a Member of The Hong Kong Institute of Directors.

Mr. Chui Chi Yun Robert ("Mr. Chui") M.H., aged 63, joined the Group in 2013. He obtained a Bachelor Degree in Commerce in June 1978 and is a practising Certified Public Accountant in Hong Kong. Mr. Chui was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom in June 1991 and May 1989, respectively. Mr. Chui is currently an independent non-executive director of Tse Sui Luen Jewellery (International) Limited (stock code: 417), National Arts Entertainment and Culture Group Limited (stock code: 8228), F8 Enterprises (Holdings) Group Limited (stock code: 8347) and Asia Cassava Resources Holdings Limited (stock code: 841), all of which are companies listed on the Stock Exchange. Mr Chui served as an independent non-executive director of PPS International (Holdings) Limited (stock code: 8201) and a non-executive director of Addchance Holdings Limited (currently known as GTI Holdings Limited, stock code: 3344), both of which are listed on the Stock Exchange, until 31 July 2018 and 23 May 2017 respectively.



**DIRECTORS AND SENIOR MANAGEMENT PROFILE**

**SENIOR MANAGEMENT**

Mr. Ng Ho Yin Owen (“Mr. Ng”), aged 39, joined the Group in 2012. Mr. Ng is the company secretary and financial controller of the Company. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of CPA Australia. Mr. Ng is responsible for the financial and company secretarial matters of the Company. Mr. Ng has over 10 years of experience in auditing, financial management and taxation. Mr. Ng holds a Bachelor of Business (Accountancy) degree and Bachelor of Information Technology degree from the Queensland University of Technology, Australia.

## CORPORATE GOVERNANCE REPORT

The Board considers effective corporate governance a key component in the Group's sustainable development and believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code.

### (A) THE BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems and review of the effectiveness of such systems, monitoring of the performance of the senior management and determining the policy for corporate governance. The directors of the Company ("Directors") make decisions objectively in the interests of the Company. Currently, the Board comprises seven Directors, including four executive Directors and three independent non-executive Directors:

#### **Executive Directors**

Ms. Chau Choi Fa (*Chairperson*)

Ms. Wong Siu Wah (*Chief Executive Officer*)

Ms. Wong Vivien Man-Li

Ms. Chow Woon Yin

#### **Independent Non-Executive Directors**

Mr. Lam John Cheung-wah

Dr. Tse Kwok Sang

Mr. Chui Chi Yun Robert

Their biographical details and relationships are set out in the section entitled "Directors and Senior Management Profile" in this annual report. Ms. Wong and Ms. Vivien Wong are mother and daughter. Ms. Chau and Ms. Chow being sister-in-laws, and Ms. Chau being the wife of and Ms. Chow being the younger sister of Mr. Chow Tak Hung, the ultimate controlling shareholder of the Company. Ms. Chau and Ms. Wong are interested in certain properties in Hong Kong and the PRC (being the territories in which the Group owns properties), the details of which are set out in the paragraph "Properties Held by the Directors and our Controlling Shareholders" in the section entitled "Other information" in this annual report. Save as aforementioned, there is no relationship, including financial, business, family or other material/relevant relationship between members of the Board.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

**(A) THE BOARD OF DIRECTORS – continued****Chairperson and Chief Executive Officer**

Ms. Chau Choi Fa is the chairperson of the Company and Ms. Wong Siu Wah is the chief executive officer (“CEO”). The roles of the chairperson and CEO are served by different individuals to achieve a balance of authority and power, which is in compliance with the Code Provision A.2.1 of the CG Code. The main responsibility of the chairperson is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of committees of the Board, the CEO is responsible for the day-to-day management of the Group’s business, recommending strategies to the Board, and determining and implementing operational decisions.

**Appointments, Re-election and Removal of Directors**

Each of the executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a specific term. Such term is subject to her/his re-appointment by the Company at an annual general meeting upon such Director’s retirement by rotation at least once every three years and offering herself/himself for re-election.

The bye-laws of the Company provide that any Director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next annual general meeting of the Company and shall then be eligible for re-election.

**Independent Non-Executive Directors**

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom, namely Mr. Chui Chi Yun Robert, possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of one year.

**Board Diversity Policy**

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board. The Board recognises the benefits of a diverse Board with members possessing a balance of skills, experience, knowledge and expertise which complement the effectiveness and business success of the Group.

Pursuant to the Company’s 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, expertise and length of service. All Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, having regard to the benefits of diversity of the Board.

## CORPORATE GOVERNANCE REPORT

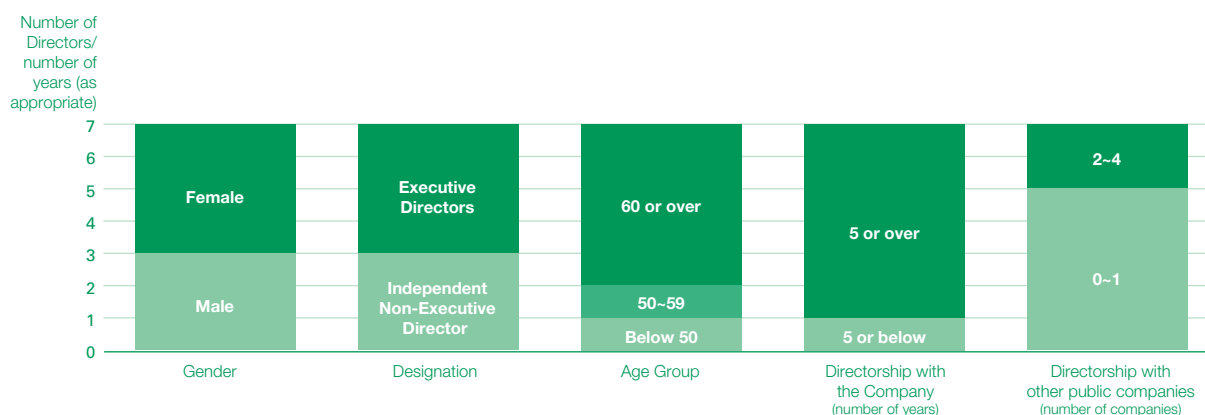
### (A) THE BOARD OF DIRECTORS – continued

#### Board Diversity Policy – continued

The Board will consider setting measurable objectives to implement the policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The Nomination Committee will review the policy from time to time to ensure its continued effectiveness.

An analysis of the board diversity based on a range of diversity perspectives is set out below:



#### Number of Meetings and Directors' Attendance

Code Provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

During the year ended 31 December 2019, the Board has held four meetings. The Board will schedule to have at least four regular meetings in a year.

Name of Director	Attendance/Number of Meetings				Annual General Meeting
	Board Meeting	Nomination Committee	Remuneration Committee	Audit Committee	
Executive Directors:					
Ms. Chau Choi Fa	4/4	1/1	N/A	N/A	1/1
Ms. Wong Siu Wah	4/4	N/A	1/1	N/A	1/1
Ms. Wong Vivien Man-Li	4/4	N/A	N/A	N/A	1/1
Ms. Chow Woon Yin	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Lam John Cheung-wah	4/4	1/1	1/1	2/2	0/1
Dr. Tse Kwok Sang	4/4	1/1	1/1	2/2	1/1
Mr. Chui Chi Yun Robert	4/4	1/1	1/1	2/2	1/1

**(A) THE BOARD OF DIRECTORS – continued**

**Training and Support for Directors**

In accordance with Code Provision A.6.5 of the CG Code with regards to continuous professional development, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills.

To further ensure that all Directors are adequately informed about the Company's business and operations as well as his/her responsibilities under relevant laws, rules and regulations, the company secretary of the Company provides all Directors with regular updates regarding the Company's performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time.

The Directors received the following training for the year ended 31 December 2019 according to the records provided by the Directors:

Directors	Training on corporate governance, regulatory development and other relevant topics
<i>Executive Directors</i>	
Ms. Chau Choi Fa ( <i>Chairperson</i> )	✓
Ms. Wong Siu Wah ( <i>Chief Executive Officer</i> )	✓
Ms. Wong Vivien Man-Li	✓
Ms. Chow Woon Yin	✓
<i>Independent Non-executive Directors</i>	
Mr. Lam John Cheung-wah	✓
Dr. Tse Kwok Sang	✓
Mr. Chui Chi Yun Robert	✓

**Directors' and Officers' Insurance**

The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

**Compliance with the Model Code for Directors' Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its model code for securities transactions by Directors. Having made specific enquiries of all Directors, the Directors confirmed that they have complied with the Model Code during the year ended 31 December 2019.

**Board Committees**

The Board has established an Audit Committee, Remuneration Committee and Nomination Committee (collectively "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.



**CORPORATE GOVERNANCE REPORT**

**(A) THE BOARD OF DIRECTORS – continued**

**Board Committees – continued**

*Audit Committee*

The Audit Committee's current members include:

Mr. Chui Chi Yun Robert (*Chairperson*)

Mr. Lam John Cheung-wah

Dr. Tse Kwok Sang

All of the committee members are independent non-executive Directors. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The terms of reference of the Audit Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code.

The Audit Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.

The Audit Committee shall meet with the external auditor at least twice a year. The external auditor may request additional meetings if they consider necessary.

During the year ended 31 December 2019, the Audit Committee held two meetings. The attendance records are set out under the section headed "Number of Meetings and Directors' Attendance" in this report. The Audit Committee performed the following work during the year:

- (a) reviewed the Group's annual audited financial statements for the year ended 31 December 2019, and reviewed the unaudited interim financial statements for the six months ended 30 June 2019 including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;
- (b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;
- (c) reviewed the Group's risk management and internal control system and related matters; and
- (d) considered and made recommendations on the re-appointment of the independent auditor of the Group, and the terms of engagement.

**(A) THE BOARD OF DIRECTORS – continued**

**Board Committees – continued**

*Remuneration Committee*

The Remuneration Committee's current members include:

Mr. Lam John Cheung-wah (*Chairman*)  
Dr. Tse Kwok Sang  
Mr. Chui Chi Yun Robert  
Ms. Wong Siu Wah

The majority of the members are independent non-executive Directors. The Remuneration Committee determines the policy for remuneration of executive Directors, assessing performance of executive Directors, approving the terms of executive Directors' service contracts, reviews the remuneration package of the executive Directors, independent non-executive Directors and senior management, and makes appropriate recommendations to the Board. Staff remuneration is determined by the Group's management by reference to the individual staff's qualifications, work experience, performance and prevailing market conditions.

The terms of reference of the Remuneration Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code.

The Remuneration Committee met once during the financial year. The attendance records are set out under the section headed "Number of Meetings and Directors' Attendance" in this report. During the meeting, the Remuneration Committee reviewed the remuneration policy and structure of the Group and remuneration policy indicators, and the remuneration packages of the executive Directors, independent non-executive Directors and senior management. Findings and recommendations of the Remuneration Committee were reported to the Board.

*Nomination Committee*

The Nomination Committee's current members include:

Dr. Tse Kwok Sang (*Chairman*)  
Mr. Chui Chi Yun Robert  
Mr. Lam John Cheung-wah  
Ms. Chau Choi Fa

The majority of the members are independent non-executive Directors. The principal duties of the Nomination Committee are to determine the policy of nomination of Directors and identify and nominate suitable candidates for appointment as Directors and make recommendations to the Board.

The terms of reference of the Nomination Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code.

The Nomination Committee has a policy concerning diversity of Board members which aims to maintain the Board with a diversity of Directors in terms of skills, experience, knowledge, expertise, culture, independence, age and gender, with a view to enhancing the quality of performance of the Board. The Nomination Committee will review the board diversity policy from time to time to ensure its effectiveness. For details of the board diversity policy of the Company, please refer to the paragraph headed "Board diversity policy" in this Corporate Governance Report.

The Nomination Committee met once during the financial year. The attendance records are set out under the section headed "Number of Meetings and Directors' Attendance" in this report. During the meeting, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board, the independence of the independent non-executive Directors and the re-appointment of the Directors standing for re-election at the upcoming annual general meeting of the Company. Findings and recommendations of the Nomination Committee were reported to the Board.

## CORPORATE GOVERNANCE REPORT

### (A) THE BOARD OF DIRECTORS – continued

#### **Nomination Policy**

The Board has adopted a nomination policy which sets out the selection criteria and nomination procedures for the appointment and re-appointment of Directors. A summary of the nomination policy is disclosed below:

#### *Selection Criteria*

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Reputation for integrity
- Accomplishment and experience in the areas of the Company's business and public board experience
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, expertise and length of service

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

#### *Nomination Procedures*

##### *(i) Appointment by the Board*

The Nomination Committee has been delegated authority to identify and recommend potential candidates to the Board on the selection of individuals nominated for directorship through different means, including recommendations from existing directors or any other means that it deems appropriate.

Once a candidate has been identified, the Company Secretary, on behalf of the Nomination Committee, will request the candidate to provide his/her biographical information and other additional information and documents deemed necessary, including but not limited to (i) information on his/her interests in the securities of the Company (if any); (ii) his/her consent to act as a Director and disclosure of information relating to his/her proposed appointment; and (iii) for an independent non-executive Director candidate, his/her declaration of independence in accordance with the criteria under the Listing Rules.

The Nomination Committee will review and take reasonable steps to verify the information obtained from the candidate and seek clarification, where required. The Nomination Committee may, at its discretion, invite the candidate to meet with the Nomination Committee members in order to assist them in their consideration of the proposed nomination or recommendation. The Nomination Committee will then make recommendations for the Board's consideration and approval.

**(A) THE BOARD OF DIRECTORS – continued****Nomination Policy – continued***Nomination Procedures – continued**(ii) Appointment by the Shareholders at a general meeting*

For the procedures of shareholders' nomination of any proposed candidate for election as a Director, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director", which is available on the Company's website.

*(iii) Re-Appointment at a general meeting*

The Nomination Committee will review the profile of the existing Directors who have offered themselves for re-appointment to consider their suitability in the light of the Group's corporate strategy, the structure, size and composition of the Board at that time. The Nomination Committee will then make recommendations for the Board's consideration and the Board will, at its discretion, make recommendations to the Shareholders.

For those existing independent non-executive Directors, who have offered themselves for re-appointment and serve the Company more than 9 years, the Nomination Committee shall consider the reason why they are still independent and therefore eligible for re-election. The Nomination Committee will then make recommendations for the Board's consideration and the Board will make recommendations to the Shareholders.

**Corporate Governance Functions**

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code, namely:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

The Board had held one meeting during the year at which the Board reviewed the Company's policies and practice on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company's compliance with the CG Code.

**CORPORATE GOVERNANCE REPORT****(A) THE BOARD OF DIRECTORS – continued****Conflict of Interest**

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction. The Group also adopted certain internal control policies to manage potential conflicts of interest.

**Company Secretary**

Mr. Ng Ho Yin Owen, the company secretary and financial controller of the Company, is an employee of the Group and has day-to-day knowledge of the Company's affairs. Mr. Ng has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of Mr. Ng is set out in the section entitled "Directors and Senior Management Profile" in this annual report. Pursuant to code provision F.1.1 of the Codes, Mr. Ng confirmed that he had taken not less than 15 hours' relevant professional training during the year.

**(B) FINANCIAL REPORTING AND INTERNAL CONTROL****Financial Reporting**

The Board, supported by the financial controller and the finance and accounts department of the Company are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2019, the Directors have reviewed and applied suitable accounting policies, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which reflect the financial information of the Group with reasonable accuracy.

**External Auditor's Remuneration**

Deloitte Touche Tohmatsu has been appointed as the Company's external auditor since the Company's incorporation. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

The remuneration paid to the Company's external auditor, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

<b>Type of services provided by the external auditor</b>	<b>Amount of fees HK\$'000</b>
Audit services	820
Non-audit services	–
Total	820



**(B) FINANCIAL REPORTING AND INTERNAL CONTROL – continued****Internal Control and Risk Management**

The Group conducts an annual review on whether there is a need for an internal audit department. Given the Group's simple operating structure, as opposed to a separate internal audit department, the Board is directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board conducts a review on the internal control system of the Group on an annual basis and has the responsibility to maintain an effective internal control system. The Board also reviews and monitors the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The Group's internal control system is comprised of a system of controlled management wherein various authoritative limits are placed to ensure that the Group is able to supervise, control and assess various functions within Group. The system further permits the Group to safeguard its accounting records to minimize material errors in order to provide as accurate as possible financial information.

During the year under review, the Company engaged an external independent consultant to conduct a review on the internal control system of the Group in order to maintain high standards of corporate governance. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Based on the above, the Board is of the view that the Company has established a proper internal control system which is effective and adequate.

The Company has formulated an inside information policy providing guideline on handling inside information. The Company regularly reminds the directors and employees about compliance with all policies adopted by the Company regarding inside information including the Model Code set out in Appendix 10 of the Listing Rules in relation to dealings in securities of the Company.

**(C) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information, which enable shareholders and investors to make appropriate investment decisions.

The members of the Board and Board Committees and the external auditor are present to answer shareholders' questions in the annual general meetings of the Company. Meeting circulars are distributed to all shareholders before the annual general meeting and special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the bye-laws of the Company. All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the meetings.

## CORPORATE GOVERNANCE REPORT

### (C) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS – continued

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

The Company provides guidelines to directors and employees in the handling of inside information. Along with regulatory updates, all directors and employees are reminded of compliance with the Group's policy on Inside Information.

### (D) DIVIDEND POLICY

The dividend policy aims to allow shareholders of the Company to participate in the Company's profits whilst allowing the Company to retain adequate reserves for future growth.

Pursuant to the Company's dividend policy, the Company may consider paying final dividends in an aggregate amount subject to the Company's capacity to pay from accumulated and future earnings, liquidity position, fund reserve for growth and future commitments at the time of declaration of dividend. The Company may also consider paying interim dividends from time to time in addition to the final dividends.

The Company's ability to pay dividends will depend upon, among other things, the Company's current and future operations, liquidity position and capital requirements, as well as dividends received from the Company's subsidiaries. The payment of dividends is also subject to any restrictions under the laws of Bermuda, the bye-laws of the Company and any other applicable laws, rules and regulations.

A decision to declare and pay any dividend requires the approval of the Board at its discretion, subject to the laws of Bermuda, the bye-laws of the Company and any other applicable laws, rules and regulations, and any final dividends declared by the Company must also be approved by an ordinary resolution of the Shareholders at an annual general meeting and must not exceed the amount recommended by the Board.

The Board may from time to time review the dividend policy and may exercise its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

**(E) SHAREHOLDERS' RIGHTS**

**Convening of Special General Meetings and Requisition by Shareholders**

Shareholders shall have the right to request the Board to convene a special general meeting ("SGM"). Shareholders holding in aggregate not less than one-tenth (10%) of the paid up capital of the Company may send a written request to the Board for requisition of an SGM.

The written requisition, duly signed by the shareholders concerned, must state the purpose of the meeting and must be deposited at the registered office of the Company.

The Company will take appropriate actions and make necessary arrangements and any expenses incurred in giving effect thereto will be payable in accordance with the requirements of Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act") once a valid requisition is received.

**Procedures for Making Proposals at General Meetings by Shareholders**

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

- (a) any members representing not less than one-twentieth (5%) of the total voting rights of the Company on the date of the requisition; or
- (b) not less than 100 members holding shares in the Company.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company. The Company will take appropriate actions and make necessary arrangements and the shareholders concerned will be responsible for any expenses incurred in giving effect thereto in accordance with the requirements of Sections 79 and 80 of the Companies Act once valid documents are received.

As regards to proposing a person other than the retiring Director for election as a Director in a general meeting, please refer to the procedures available on the website of the Company.

Shareholders may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

**(F) CONSTITUTIONAL DOCUMENTS**

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

## ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

This is the Group's second Environmental, Social and Governance (the "ESG") report focusing on the Group's environmental, social & governance initiatives. When preparing this report, references have been made to Appendix 27 of the Listing Rules (the "ESG Reporting Guide").

The Group has complied with the "Comply or Explain" provisions set out in the ESG Reporting Guide for the year ended 31 December 2019.

The initiatives of the Group in implementing environment and social-related policies are as follows:

- 1) To optimize efficient use of resources in efforts to minimize impact on the environment and natural resources;
- 2) To encourage employees and tenants to be environmentally conscientious; and
- 3) To contribute to the community's well-being.

### STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant ESG aspects for the Group to report on for this ESG report, key stakeholders such as investors, shareholders and employees have been taken into consideration. As the Group is principally engaged in the leasing of completed properties, the Group did not have any major suppliers, therefore disclosures relating to supply chain management and certain aspects of product responsibility as set forth in the ESG Reporting Guide is not applicable to the Group.

Through our regular engagement activities (as set out below), we are able to keep an ongoing dialogue with our stakeholders, enabling us to make more informed decisions, and better assess and manage any resulting impact.

Stakeholder	Engagement Activities
Investors and shareholders	<ul style="list-style-type: none"><li>• Shareholders' meetings</li><li>• Financial reports and other disclosure documents</li><li>• Corporate website</li></ul>
Customers	<ul style="list-style-type: none"><li>• Feedback from front-line employees</li><li>• Designated customer hotline</li><li>• Corporate website</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• Suppliers' evaluation procedure</li></ul>

## ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Stakeholder	Engagement Activities
Employees	<ul style="list-style-type: none"><li>• Training, seminars, briefing sessions</li><li>• Regular review on remuneration package and occupational safety</li><li>• Face-to-face meetings</li><li>• Independent focus groups and interviews</li></ul>
Communities	<ul style="list-style-type: none"><li>• Sponsorship and donation</li></ul>
Government and regulators	<ul style="list-style-type: none"><li>• Compliance with laws and regulations</li></ul>

The Group welcomes stakeholders' feedback on our ESG approach and performance. Suggestions can be sent to us via e-mail at [ESG@wingleproperties.com](mailto:ESG@wingleproperties.com).

### ENVIRONMENTAL

The Group believes that increased environmental awareness is the key to environmental protection and wellness to the general community. It is the Group's policy to ensure compliance with applicable environmental laws and regulations and minimise our environmental footprint through efficient use of resources and adoption of pro-environmental technologies. The Group endeavours to promote environmental conscientiousness not just to employees but to its tenants as well. As the Group is in the business of leasing completed commercial, residential and industrial space, its business produces minimal environmental emissions and discharges.

The Group's main office headquarters are located in Hong Kong and the main emissions and wastes produced by the Group are primarily attributable to its use of electricity, water and paper. The Group does not produce any hazardous waste in its operations.

Given the nature of the Group's business, the Company believes that its business operations have minimal direct impact on the environment and natural resources. The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the environment and natural resources relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

### **Electricity**

The Group endeavors to conserve energy by utilising energy efficient equipment and light fixtures. Employees are encouraged to save energy by turning off lights and equipment when not in use. Heat deflecting films are also used on windows to maintain a lower temperature in the office so as to ensure efficient use of air conditioning.

## ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Electricity consumed by the Group's headquarters in its normal business operations is supplied by China Light & Power (CLP). The electricity consumption by the Group at its office headquarters was approximately 18,577 kWh (2018: 18,906 kWh), producing CO<sub>2</sub> equivalent emissions of approximately 9474.27 kg (2018: 9,642.06 kg) and an energy consumption intensity of approximately 139.15 kWh per square meter (2018: 141.62 kWh per square meter) during the year. There was no material change in the electricity usage as compared to the previous year. The Group continues to closely monitor the use of resources and reports to the senior management. If necessary, appropriate action will be taken to improve the efficiency of the use of resources.

### Water

There is no direct water supply to the office apart from water uses/effluent discharges at shared facilities of the office building for which no usage statistics are available. Water consumption by the Group for the year involved mainly bottled drinking water used at its offices premises and the Group's business operations do not require any other water usage. The Group's office headquarters utilised a total of approximately 0.72 m<sup>3</sup> (2018: 0.80 m<sup>3</sup>) of drinking water with a water consumption intensity of approximately 0.10 m<sup>3</sup> per employee (2018: 0.11 m<sup>3</sup> per employee) for domestic consumption during the year. There was no material change in the water usage as compared to the previous year. The Group continues to closely monitor the use of resources and reports to the senior management. If necessary, appropriate action will be taken to improve the efficiency of the use of resources.

### Paper

The Group encourages employees to go paperless as much as possible by liming print outs as well as communicating via e-mail as opposed to fax. Employees are also encouraged to re-use paper and conserve paper usage by printing double-sided to the extent practicable. The Group has not otherwise adopted any dedicated recycling programme regarding paper uses.

During the year, the Group used a total of approximately 436.50 kg (2018: 416.03 kg) of print paper in its normal business operations of which approximately 324.00 kg (2018: 303.63 kg) were attributable to printed materials distributed to shareholders. The increase in paper consumption for printed material distributed to shareholders was due to the increase in the weight and size of annual report. The total CO<sub>2</sub> equivalent emissions for the paper used was approximately 2,095.20 kg (2018: 1,996.94 kg) of which approximately 1,555.20 kg (2018: 1,456.94 kg) was attributable to printed materials distributed to shareholders.

### Gasoline

The Group encourages employees to always keep the environment in mind when undertaking business activities including use of public transportation to travel to properties. Employees are encouraged to optimize resources to help the Group minimize its impact on the environment and natural resources.

The Group did not own any private motor vehicle in 2018 and 2019. There was no emissions data related to unleaded petrol consumption in 2018 and 2019.



ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

**SOCIAL**

**Employment**

As at 31 December 2019, the Group had 7 employees (2018: 7 employees) in Hong Kong. In 2019, the employee turnover rate was 0%. In 2018, one male employee left the Group and the employee turnover rate for 2018 was 14.3%. All of our employees have employment contracts that cover matters such as wages, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis. The Group grants discretionary bonuses to qualified employees based on operation results and individual performance. The employees are also entitled to medical insurance, participation in the mandatory provident fund (under which a fixed percentage (subject to statutory cap) of an employee's salary will be contributed toward the scheme) and various types of paid leave.

To maintain work-life balance, the Company holds monthly lunch gatherings. The Group also encourages its employees to work and rest in accordance with the working hours and rest periods stipulated by the relevant laws and regulations in Hong Kong.

The Group is not aware of any material non-compliance with any relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the reporting period.

Work force by Gender

	2019 Percentage (%)	2018 Percentage (%)
Male	28.6	28.6
Female	71.4	71.4

Workforce by Age Group

	18-25	26-35	36-45	46-55	56 and above
2019	0%	0%	42.8%	28.6%	28.6%
2018	0%	0%	42.8%	28.6%	28.6%

## ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

### Employee Health and Safety

The Group endeavours to provide a safe working environment for its employees. As part of the Group's employee health and safety policy, the Group has adopted the Occupational Health for Office Workers guideline published by the Occupational Safety and Health Branch, Labour Department. During the reporting period, no work related fatalities or lost days due to work injury were recorded.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the reporting period.

### Development and Training

All new employees are required to attend orientation training to ensure employees are aware of the Group's values and goals and to ensure employees understand their roles in the Group. Employees are encouraged to attend seminars relevant to their positions to enhance their roles within the Group.

### Labour Standard

All employees are recruited through the Human Resources Department to ensure they fulfill the job requirements underlying their respective positions.

The Group regularly reviews its employment practice and Group's guidelines on staff recruitment to ensure that it is in full compliance with the Employment Ordinance and other regulations related to, among other things, prevention of child labour and forced labour.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to prevention of child and forced labour.

## OPERATING PRACTICES

### Property Maintenance, Supply Chain Management and Personal Data Practices:

The Group endeavours to ensure all properties are kept well maintained. Spot checks as well as annual review by an authorized person is performed on all properties to ensure properties are in line with government rules and regulations.

In ensuring that our investment properties are well maintained, the Group uses a number of suppliers and contractors. It is expected that our suppliers and contractors will adhere to respectable performance standards whilst employing the most pro-environmental methods to do work. We encourage our suppliers and contractors to promote environmental and social conscientiousness.

To further ensure that the Group employs the correct suppliers and contractors for larger projects, tenders are requested and processed through a transparent and fair procedure headed by the maintenance department.

## **ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT**

The Group's policy on Privacy of Personal Data provides guidelines for managing different kinds of personal data and the establishment of a privacy framework that secures the personal data of our tenants. Data are stored in a computer server room which is only accessible by authorized personal. Our IT system is periodically reviewed and reported to management to ensure that all networks are well protected from potential intrusion.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.

### **Anti-Corruption**

The Group adopts a zero-tolerance policy on bribery, extortion, fraud and money laundering. It is also the responsibility of all employees to maintain ethical behavior. All financials are triple checked through different levels of personnel to ensure compliance with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering. All employees are encouraged to raise any related concerns to the senior management in a strictly confidential manner. Any matters of genuine concern are to be thoroughly investigated and actions will be taken accordingly.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the reporting period.

### **Community**

#### *Community Investment*

The Group encourages young minds to reach their potential. The Group donated HK\$50,000 to The University of Hong Kong, Wing Lee Entrance Scholarship during 2019 in efforts to encourage youths to achieve their personal goals. The scholarship is awarded to those students on the basis of academic performance from the public examination for admission to the University.

## OTHER INFORMATION

Consistent with the disclosure requirements stated in the Company's listing document dated 28 February 2013 (the "Listing Document"), the following are the details of the properties held by the controlling shareholders and directors of the Company as at 31 December 2019.

### **PROPERTIES HELD BY THE DIRECTORS AND OUR CONTROLLING SHAREHOLDERS**

References to "controlling shareholders" in this section mean Bright Asia Holdings Limited ("Bright Asia") and Mr. Chow Tak Hung, the spouse of Ms. Chau Choi Fa, an executive director and the chairperson of the Company and the older brother of Ms. Chow Woon Yin, an executive director of the Company. Save as set out below, the controlling shareholders have no interest in investment properties other than those held via the Company.

#### **Properties held by controlling shareholders**

As at 31 December 2019, Mr. Chow Tak Hung was interested in the following properties (the "Retained Properties"):

- (i) an industrial complex located at Xinling Road, Sulong Town, Luoding Village, Yunfu City, Guangdong Province, the PRC. This property has a total gross floor area of approximately 11,719.51 sq.m. (approximately 126,148.81 sq.ft.) (Notes 1 & 3); and
- (ii) an industrial complex located at Second Industrial Zone, Sijia Management Area, Qingfeng Road West, Shijie Town, Dongguan City, Guangdong Province, PRC. This property has a total gross floor area of approximately 30,537.05 sq.m. (approximately 328,700.83 sq.ft.) (Notes 2 & 3).

Notes:

- 1. The property had not been leased out during the year ended 31 December 2019.
- 2. The rental income for the year ended 31 December 2019 was approximately HK\$1.6 million and the fair value as at 31 December 2019 was approximately HK\$39.1 million.
- 3. This property is held by a company in which Mr. Chow Tak Hung, Ms. Chow Woon Yin and Ms. Wong are interested.

**PROPERTIES HELD BY THE DIRECTORS AND OUR CONTROLLING SHAREHOLDERS – continued****Personal Investments**

As at 31 December 2019, Ms. Wong Siu Wah (“Ms. Wong”) and Ms. Chau Choi Fa (“Ms. Chau”) both of whom are executive directors of the Company were, in addition to their personal residences and save as disclosed under the paragraph headed “Properties held by controlling shareholders”, interested in the following properties in Hong Kong and the PRC (being the territories in which the Group owns properties) (the “Personal Investments”):

- (i) a commercial property located at G/F and cockloft (otherwise called mezzanine floor), No. 99 Queen’s Road East, Hong Kong with a saleable floor area of approximately 610 sq. ft. (with yard: 50 sq. ft. and cockloft: 400 sq. ft.) (*Note 1*);
- (ii) a commercial property located at Shop B5 on G/F and Cockloft, Tai Wong Building, Nos. 3-5 Tai Wong Street East, Hong Kong with a saleable floor area of approximately 1,090 sq. ft. (with yard: 35 sq. ft. and cockloft: 440 sq. ft.) (*Note 1*);
- (iii) a commercial property located at Shop No. 3, G/F, Rialto Building, No. 2 Landale Street, Hong Kong with a saleable floor area of approximately 670 sq. ft. (*Note 1*);
- (iv) a commercial property located at 2/F, No. 61 Wellington Street, Hong Kong with a saleable floor area of approximately 470 sq. ft. (*Note 1*);
- (v) a commercial property located at G/F and cockloft, No. 299 Portland Street, Kowloon with a saleable floor area of approximately 620 sq. ft. (with cockloft: 460 sq. ft.) (*Note 1*);
- (vi) a residential property located at Levels 3-7, Block E, Shangyi Village, Shijie Town, Dongguan, Guangdong Province, PRC with a gross floor area of approximately 1,553 sq. m. (approximately 16,716 sq. ft.) (*Note 2*); and
- (vii) a residential property located at Levels 3-7, Block D, Shangyi Village, Shijie Town, Dongguan, Guangdong Province, PRC with a gross floor area of approximately 1,890 sq. m. (approximately 20,344 sq. ft.) (*Note 2*).

## OTHER INFORMATION

### PROPERTIES HELD BY THE DIRECTORS AND OUR CONTROLLING SHAREHOLDERS – continued

#### **Personal Investments – continued**

Notes:

1. This property is held by Ms. Chau and Ms. Wong or companies jointly owned by Ms. Chau and Ms. Wong.
2. This property is held by a company in which Mr. Chow Tak Hung, Ms. Chow Woon Yin and Ms. Wong are interested.

Ms. Chau and Ms. Wong also hold one property in Tai Tam and two properties in Jardine's Lookout Garden Mansion, which are used as personal residences of Ms. Chau, Ms. Wong and/or their respective family members.

The aggregate rental income of the Personal Investments for the year ended 31 December 2019 was approximately HK\$6.8 million and the aggregate fair value of the Personal Investments as at 31 December 2019 was approximately HK\$228.3 million.

Taking into account the number and availability of alternative units in the Hong Kong property market, and given that the size of the Group's property portfolio in Hong Kong is significantly larger than that of the Personal Investments and Retained Properties in Hong Kong, and properties located in the PRC are not the Company's investment focus, the Board is of the view that competition from the holding of properties by the controlling shareholders and Directors as set out above with the business of the Group is not extreme.

In addition, given the independence of the Group from the controlling shareholders in terms of boards and management, operation, finance and administrative capability and clear delineation of business amongst them as detailed in the Listing Document, the Board is satisfied that the Group is capable of carrying on its business independently from the controlling shareholders (including their respective associates).

#### **Confirmation of compliance with internal policy and deed of non-competition**

The Directors confirmed that they have complied with the Company's internal policy on property transactions. Our controlling shareholders (namely Mr. Chow Tak Hung and Bright Asia), Ms. Chow Woon Yin and Ms. Wong (collectively the "Covenantors"), both of whom are also shareholders of Bright Asia, have also confirmed that they have complied with the provisions of the deed of non-competition dated 6 February 2013 (the "Deed of Non-competition") entered into by them in favour of the Company.



## OTHER INFORMATION

**PROPERTIES WITH BUILDING ORDERS AND/OR WARNING NOTICES REGISTERED AGAINST THEIR TITLE**

Certain of our properties are encumbered with building orders and/or warning notices, details of which have been disclosed in the Listing Document. Set out below is a summary of the latest progress of rectification of building orders and warning notices of the Group's properties as at 21 February 2020, being the latest date for ascertaining information in relation to these building orders and warning notices.

<b>Property/ Building concerned</b>	<b>Subject of legal compliance issue</b>	<b>Status as at 21 February 2020</b>
No. 3-5 Ma Tau Kok Road, Kowloon	Two warning notices was issued to incorporated owners of the building in relation to mandatory building inspection and mandatory window inspection for common areas.	Rectification works have been completed and a letter from the Buildings Department certifying compliance was received.
27 Man On Street, Kowloon	A pre-existing building order was issued to the incorporated owners of the building in relation to a roof door	We will continue to liaise with the incorporated owners of the building to rectify the subject matter in this order.
Rialto Building, No. 2 Landale Street, Wanchai, Hong Kong	A building order was issued to the incorporated owners of the building in relation to repair of the underground drains.	Rectification works have been completed and a letter from the Buildings Department certifying compliance was received.

# WING LEE PROPERTY INVESTMENTS LIMITED

## DIRECTORS' REPORT

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2019.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are property investments, principally, the leasing of completed commercial and residential properties in Hong Kong.

### BUSINESS REVIEW

The business review of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the Chairperson's Statement, Management Discussion and Analysis, and Environmental, Social and Governance Report set out on pages 3 to 4, 5 to 10 and 26 to 31 of this annual report respectively. Description of the risks and uncertainties facing the Company can be found throughout this annual report.

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: HK\$0.02 per share).

### CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from 31 March 2020 (Tuesday) to 7 April 2020 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 30 March 2020 (Monday).

### DONATIONS

Charitable donations made by the Group during the year amounted to HK\$50,000.

### SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 113. The summary does not form part of the audited consolidated financial statements.

**INVESTMENT PROPERTIES**

The Group acquired one investment property at an aggregate consideration of approximately HK\$5,466,000 during the year. Details of the movements in investment properties of the Group during the year are set out in note 14 to the consolidated financial statements.

**PROPERTY, PLANT AND EQUIPMENT**

The Group did not acquire any property, plant and equipment during the year. Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

**SHARE CAPITAL**

Details of movements in the Company's share capital during the year are set out in note 23 to the consolidated financial statements.

**PRE-EMPTIVE RIGHTS**

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

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries redeemed, purchased or cancelled any redeemable securities or listed securities during the year ended 31 December 2019. As at 31 December 2019, there were no outstanding redeemable securities of the Company.

**RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity on page 54 respectively.

**DISTRIBUTABLE RESERVES**

At 31 December 2019, the distributable reserves of the Company amounted to approximately HK\$4,770,000 million, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) (2018: HK\$13,345,000).

## DIRECTORS' REPORT

### MAJOR CUSTOMERS AND SUPPLIERS

In relation to the Group's property leasing business, the percentages of gross rental income for the year ended 31 December 2019 attributable to the largest tenant and the five largest tenants in aggregate were approximately 9.4% and 36.4% respectively.

Taking into account the nature of the Group's business and operations, the Group did not have any major suppliers in relation to its property investment business during the year.

Save as disclosed above, none of the Directors, their associates or any shareholders, which to the knowledge of the Directors own more than 5% of the Company's issued share capital, had any interest in the share capital of the five largest tenants of the Group.

### DIRECTORS

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

#### Executive directors:

Ms. Chau Choi Fa (*Chairperson*)

Ms. Wong Siu Wah (*Chief Executive Officer*)

Ms. Wong Vivien Man-Li

Ms. Chow Woon Yin

#### Independent non-executive directors:

Mr. Lam John Cheung-wah

Dr. Tse Kwok Sang

Mr. Chui Chi Yun Robert

In accordance with the provisions of the Company's bye-laws, Ms. Chau Choi Fa, Ms. Wong Siu Wah and Mr. Chui Chi Yun Robert will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for election. All other Directors will continue in office.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a letter of appointment with the Company for a term of three years commencing on 6 February 2019 and either the executive Director or the Company may terminate the letter of appointment by giving the other party not less than three months' notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from 6 February 2020 and either the independent non-executive Director or the Company may terminate the letter of appointment by giving the other party not less than three months' notice in writing.

## DIRECTORS' REPORT

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract or letter of appointment with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Under the letters of appointment, each of the Directors is entitled to an indemnity in his/her favour to the extent such indemnity applies pursuant to the bye-laws of the Company.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than those disclosed in this report, there were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year ended 31 December 2019.

### CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance between any members of the Group and the Company's controlling shareholders subsisting at the end of the year or at any time during the year ended 31 December 2019.

### TAX RELIEF

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

### REMUNERATION POLICY

The remuneration policy of the employees of the Group is set up by the Remuneration Committee and is based on merit, qualifications and competence of employees.

The remuneration policy of the Directors are decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics.

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company (not being a contract of service with any Director or any person in its full-time employment) was entered into or was subsisting during the year.

# WING LEE PROPERTY INVESTMENTS LIMITED

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares of the Company ("Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") ) which 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 he is taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

#### *Long positions in the Shares*

Name of Director	Capacity/ Nature of Interest	Number of Shares	Number of underlying shares held under equity derivatives (Note 1)	Total	Approximate percentage of interest in the Company's issued share capital (Note 2)
Ms. Chau Choi Fa	Interest of spouse (Note 3)	272,883,324	–	273,269,499	70.76%
	Beneficial interest (Note 4)	–	386,175		
Ms. Wong Siu Wah	Beneficial interest	–	3,861,757	3,861,757	0.999%
Ms. Wong Vivien Man-Li	Beneficial interest	9,638	3,861,757	3,871,395	1.002%

Notes:

- These underlying shares of the Company held under equity derivatives represented the share options granted by the Company under the share option scheme. Particulars of these share options and their movements during the year ended 31 December 2019 are set out in the section headed "Share Option Scheme" in this Directors' Report.
- The percentage of the Company's issued share capital is based on the 386,175,758 Shares issued as at 31 December 2019.
- Ms. Chau Choi Fa is the spouse of Mr. Chow Tak Hung. Mr. Chow Tak Hung holds 60% interest in Bright Asia Holdings Limited ("Bright Asia"). Bright Asia held 272,883,324 Shares (representing approximately 70.66% of the issued Shares). By virtue of Part XV of the SFO, Ms. Chau Choi Fa (being the spouse of Mr. Chow Tak Hung) is deemed to be interested in those 272,883,324 Shares.
- These underlying shares of the Company held under equity derivatives represented the share options granted by the Company under the share option scheme. Particulars of these share options and their movements during the year ended 31 December 2019 are set out in the section headed "Share Option Scheme" in this Directors' Report.



*Long positions in the issued share capital of the Company's associated corporations (as defined in the SFO)*

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Number of shares (description)	Percentage of such associated corporation's issued share capital
Ms. Wong Siu Wah	Bright Asia (Note 1)	Beneficial interest	2,000 (ordinary shares)	20%
Ms. Chow Woon Yin	Bright Asia (Note 1)	Beneficial Interest	2,000 (ordinary shares)	20%
Ms. Chau Choi Fa	Bright Asia (Note 1)	Interest of spouse (Note 2)	6,000 (ordinary shares)	60%

Notes:

1. Bright Asia is interested in 272,883,324 Shares (representing approximately 70.66% of the issued Shares). Bright Asia is therefore a holding company of the Company, and an associated corporation of the Company for the purposes of the SFO.
2. Ms. Chau Choi Fa is the spouse of Mr. Chow Tak Hung, who holds 60% interest in Bright Asia.

## SHARE OPTION SCHEME

The shareholders of the Company ("Shareholders") approved the adoption of a share option scheme (the "Scheme") at the Company's annual general meeting held on 31 March 2015, pursuant to the which the Board may, at its absolute discretion be entitled to make an offer of the grant of an option to any eligible persons to subscribe for Shares, subject to the terms and conditions of the Scheme. The purpose of the Scheme is to reward eligible participants who have contributed or will contribute to the Group and to provide incentive for the eligible participants to work towards enhancing the value of the Company, and to maintain or attract business relationships with eligible participants whose contributions are or may be beneficial to the growth of the Group.

Eligible participants (the "Participants") of the Scheme comprise (a) Directors; (b) employees of the Group; and (c) any advisors, consultants, business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of Shares which may be issued upon exercise of all options granted or to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not in aggregate exceed 10% in nominal amount of the Shares in issue on the date the Scheme was adopted, unless approval is obtained from the Shareholders. As at the date of this Annual Report, there were 38,617,575 Shares available for issue under the Scheme, representing 10% of the issued Shares as at the date of this Annual Report.

## DIRECTORS' REPORT

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each grantee under the Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company) exceed 1% of the Shares in issue for the time being. Any further grant of share Options in excess of this limit is subject to Shareholders' approval in a general meeting.

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the Scheme is subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who are the proposed grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million, such grant will be subject to prior approval of the Shareholders.

An offer shall remain open for acceptance by the Participant concerned for a period of five business days from the date of grant provided that no offer shall be open for acceptance after the expiry of the period as notified by the Board to the grantee at the time of making the grant but which shall not expire later than 10 years from the date of grant (the "Option Period"), or after the Scheme is terminated or after the Participant has ceased to be a Participant. HK\$1.00 is payable as consideration for acceptance of the Option.

The Board may, at its discretion, determine the minimum period for which an Option must be held before it can be exercised, but subject to the aforesaid, an Option may be exercised in accordance with the terms of the Scheme at any time during the Option Period.

The exercise price of the Option is determined by the Board, and will not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant and (iii) the nominal value of the Shares.

The Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption, 31 March 2015.

## THE SCHEME

A total of 11,971,446 share options (none of which is subject to any vesting period) were granted under the Scheme on 16 December 2016 and 3,861,757 of which were granted to a former director who resigned on 19 September 2018 and lapsed in 2018. No options were granted during the year ended 31 December 2019. Details of the outstanding share options and the movements of the share options granted to the Directors under the Scheme during the year were as follows:

Name or category of the participants	Number of share options					Date of grant of the share options	Exercise period of the share options	Exercise price of the share options HK\$ per share	Fair value of the share options granted to each category of participants as at the date of grant HK\$
	Outstanding	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2019				
	as at								
	1 January 2019								
<b>Executive Directors</b>									
Ms. Chau Choi Fa	386,175	–	–	–	386,175	16/12/2016	16/12/2016-15/12/2026	1.254	250,507
Ms. Wong Siu Wah	3,861,757	–	–	–	3,861,757	16/12/2016	16/12/2016-15/12/2026	1.254	2,505,070
Ms. Wong Vivien Man-Li	3,861,757	–	–	–	3,861,757	16/12/2016	16/12/2016-15/12/2026	1.254	2,505,070
	8,109,689	–	–	–	8,109,689				5,260,647

Note:

The Company's Shares closed at HK\$1.24 on 15 December 2016, being the date immediately before the date of grant.

No other share options were granted by the Company during the year ended 31 December 2019. Save as disclosed herein, no share options were exercised, cancelled or under the Scheme during the year ended 31 December 2019 (2018: No share options were exercised and 3,861,757 share options lapsed).

The fair value of the equity-settled share options granted on 16 December 2016 was HK\$7,765,717 which was estimated as at the date of grant, using the Binomial option pricing model. The inputs into the model were as follows:

Model	Binomial
Number of share options	11,971,446
Expected/contractual life	10 years
Exercise price per share	HK\$1.254
Exercise multiple	2.8
Expected volatility	48.9%
Risk-free interest rate	1.813%
Expected dividend yield	N/A

As the Binomial models require the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

# WING LEE PROPERTY INVESTMENTS LIMITED

## DIRECTORS' REPORT

Expected volatility used in the valuation of options was determined by using the historical volatility of the Company's share price since the Company's shares were listed on the Stock Exchange in March 2013. The contractual life used in the Binominal model is the full life of share options from date of grant to expiry date provided by the Company. For estimation of the early exercise behaviour of directors, the management assumed an exercise multiple of 2.8 times for options granted in 2016 based on a research on the exercise behaviour of the Company's directors.

No other feature of the share options granted was incorporated into the measurement of fair value.

The total number of Shares of the Company available for issue upon exercise of the 11,971,446 options granted on 16 December 2016 under the Scheme was 11,971,446 Shares, at which represented approximately 3.10% of the then total issued share capital of the Company. The exercise in full of the share options in the Company would result in the issue of 11,971,446 additional ordinary shares and an additional share capital of HK\$119,714.46 in the Company.

There were 8,109,689 share options outstanding under the Scheme as at the date of this annual report, and the total number of Shares available for issue is 8,109,689 which represented approximately 2.1% of the total issued share capital of the Company as at the date of this annual report.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, so far as was known to the Directors or chief executive of the Company, the following persons (not being a Director or the chief executive officer of the Company) had an interest or a short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of interest in Company's issued Shares
Bright Asia	Beneficial interest	272,883,324 (Note 2)	70.66%
Mr. Chow Tak Hung	Interest in controlled corporation (Note 1)	272,883,324 (Note 2)	70.66%
		386,175 (Note 3)	0.10%

Notes:

1. Mr. Chow Tak Hung held 60% of the issued share capital of Bright Asia. Mr. Chow Tak Hung is therefore deemed under the SFO to be interested in the 272,883,324 Shares by Bright Asia.
2. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
3. Mr. Chow Tak Hung is the spouse of Ms. Chau Choi Fa, an executive director of the Company. By virtue of Part XV of the SFO, Mr. Chow Tak Hung (being the spouse of Ms. Chau Choi Fa) is deemed to be interested in the 386,175 underlying Shares in which Ms. Chau Choi Fa is interested pursuant to share options granted pursuant to the share option scheme of the Company.

### CONNECTED TRANSACTIONS

During the year, the Group has not entered into any connected transactions that are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

### SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on publicly available information and the best knowledge of the Directors, the Company has sufficient public float as required under Rule 8.08 of the Listing Rules.

### AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Chau Choi Fa**

*Chairperson*

Hong Kong, 21 February 2020



TO THE SHAREHOLDERS OF

**WING LEE PROPERTY INVESTMENTS LIMITED**

*(incorporated in Bermuda with limited liability)*

### **Opinion**

We have audited the consolidated financial statements of Wing Lee Property Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 112, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis for Opinion**

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



## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matters

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

#### Key audit matter

#### How our audit addressed the key audit matter

##### ***Valuation of investment properties***

We identified the valuation of investment properties as a key audit matter due to the key source of estimation uncertainty and the significant assumptions and judgements involved in the valuation.

As disclosed in notes 5 and 14 to the consolidated financial statements, the Group's investment properties amounted to HK\$1,015,120,000 as at 31 December 2019. Loss on net changes in fair value of investment properties of HK\$107,212,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

The fair value of the Group's investment properties was determined by adopting the valuation techniques with significant unobservable inputs, assumptions of market conditions and judgements on appropriate valuation techniques and inputs adopted. The Group also worked closely with the independent qualified valuer to establish and determine the appropriate valuation techniques.

Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included:

- Reviewing the valuation report from independent qualified valuer and holding discussion with management and independent qualified valuer to understand the valuation basis, methodology used and underlying assumptions applied;
- Evaluating management's process in respect of reviewing the valuation performed by independent qualified valuer;
- Evaluating of the competence, capabilities and objectivity of independent qualified valuer;
- Selecting samples from the Group's investment property portfolio and obtaining the underlying data including comparables of market transactions being used by the independent qualified valuer and assessing whether they are appropriate; and
- Performing market research and analysis to assess whether the changes in fair value of investment properties resulted from the valuation was reasonable and consistent with market trends to our knowledge.

## INDEPENDENT AUDITOR'S REPORT

### 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.

### 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 Section 90 of the Bermuda Companies Act, 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.

**INDEPENDENT AUDITOR'S REPORT****Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

## **INDEPENDENT AUDITOR'S REPORT**

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued**

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 the independent auditor's report is Ms. Kwok Lai Sheung.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

21 February 2020

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2019 HK\$'000	2018 HK\$'000
Revenue	6	33,209	32,335
Direct operating expenses		(974)	(922)
		32,235	31,413
Other income	7	346	450
Other gains or losses		(20)	133
Net changes in fair value of investment properties	14	(107,212)	2,150
Administrative expenses		(9,561)	(9,599)
Finance costs	8	(2,641)	(1,669)
(Loss) profit before taxation	9	(86,853)	22,878
Taxation	11	(3,228)	(3,431)
(Loss) profit for the year		(90,081)	19,447
Other comprehensive (expense) income for the year			
Item that will not be reclassified subsequently to profit or loss:			
Fair value (loss) gain of investment in equity instrument designated at fair value through other comprehensive income		(6,392)	147
Total comprehensive (expense) income for the year		(96,473)	19,594
(Loss) earnings per share - basic and diluted	13	HK cents (23.33)	HK cents 5.04

# WING LEE PROPERTY INVESTMENTS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Investment properties	14	1,015,120	1,116,866
Property, plant and equipment	15	13,782	14,283
Investment in equity instrument designated at fair value through other comprehensive income	16	38,755	45,147
		1,067,657	1,176,296
Current assets			
Rental and other receivables	17	1,165	806
Investment in equity instruments at fair value through profit or loss	18	–	325
Tax recoverable		–	6
Short-term bank deposit	19	–	348
Fixed bank deposits	19	–	246
Bank balances and cash	19	8,473	6,270
		9,638	8,001
Current liabilities			
Other payables and rental deposits received	20	14,130	14,361
Taxation payable		3,519	550
Bank loans – due within one year	21	19,777	16,552
		37,426	31,463
Net current liabilities		(27,788)	(23,462)
Total assets less current liabilities		1,039,869	1,152,834

# WING LEE PROPERTY INVESTMENTS LIMITED

AT 31 DECEMBER 2019

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current liabilities			
Bank loans – due after one year	21	50,354	59,338
Deferred tax liabilities	22	6,789	6,573
		57,143	65,911
Net assets		982,726	1,086,923
Capital and reserves			
Share capital	23	3,862	3,862
Reserves		978,864	1,083,061
Total equity		982,726	1,086,923

The consolidated financial statements on pages 51 to 112 were approved and authorised for issue by the board of directors on 21 February 2020 and are signed on its behalf by:

**Chau Choi Fa**  
DIRECTOR

**Wong Siu Wah**  
DIRECTOR



# WING LEE PROPERTY INVESTMENTS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Equity attributable to owners of the Company								Total
	Share capital	Share premium	Share options reserve	Special reserve	Capital reserve	Investment revaluation reserve	Property revaluation reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	3,862	705,280	7,766	(382,929)	7,314	–	–	733,298	1,074,591
Profit for the year	–	–	–	–	–	–	–	19,447	19,447
Other comprehensive income for the year	–	–	–	–	–	147	–	–	147
Total comprehensive income for the year	–	–	–	–	–	147	–	19,447	19,594
Revaluation surplus of property, plant and equipment transferred to investment properties	–	–	–	–	–	–	462	–	462
Release of lapsed equity-settled share-based payments	–	–	(2,505)	–	–	–	–	2,505	–
Dividend paid (note 12)	–	–	–	–	–	–	–	(7,724)	(7,724)
At 31 December 2018	3,862	705,280	5,261	(382,929)	7,314	147	462	747,526	1,086,923
Loss for the year	–	–	–	–	–	–	–	(90,081)	(90,081)
Other comprehensive expense for the year	–	–	–	–	–	(6,392)	–	–	(6,392)
Total comprehensive expense for the year	–	–	–	–	–	(6,392)	–	(90,081)	(96,473)
Dividend paid (note 12)	–	–	–	–	–	–	–	(7,724)	(7,724)
At 31 December 2019	3,862	705,280	5,261	(382,929)	7,314	(6,245)	462	649,721	982,726

Notes:

- (a) The special reserve represents the difference between the aggregate share capital of the subsidiaries acquired by the Company and the Company's investment cost in Tierra Development Limited pursuant to a group reorganisation in 2012.
- (b) The capital reserve represents deemed contribution from a then fellow subsidiary in prior years.

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 HK\$'000	2018 HK\$'000
Operating activities		
(Loss) profit before taxation	(86,853)	22,878
Adjustments for:		
Interest income	(68)	(203)
Interest expenses	2,641	1,669
Depreciation of property, plant and equipment	501	534
Dividend income from investment in equity instruments at fair value through profit or loss	(8)	(18)
Fair value changes of investment in equity instruments at fair value through profit or loss	–	75
Gain on disposal of investment in equity instruments at fair value through profit or loss	(10)	–
Net changes in fair value of investment properties	107,212	(2,150)
Reversal of allowance for doubtful debts	–	(245)
Operating cash flows before movements in working capital	23,415	22,540
(Increase) decrease in rental and other receivables	(359)	309
Decrease in other payables and rental deposits received	(231)	(361)
Net cash generated from operations	22,825	22,488
Hong Kong Profits Tax paid	–	(2,560)
The People's Republic of China Enterprise Income Tax paid	(37)	(52)
Net cash from operating activities	22,788	19,876
Investing activities		
Withdrawal (placement) of short-term bank deposit	348	(348)
Proceed from disposal of investment in equity instruments at fair value through profit or loss	343	–
Interest received	68	203
Acquisition of investment properties	(5,466)	(33,312)
Acquisition of investment in equity instrument designated at fair value through other comprehensive income	–	(45,000)
Net cash used in investing activities	(4,707)	(78,457)
Financing activities		
New bank loans raised	10,000	52,245
Interest paid	(2,641)	(1,669)
Dividend paid	(7,724)	(7,724)
Repayment of bank loans	(15,759)	(17,494)
Net cash (used in) from financing activities	(16,124)	25,358
Net increase (decrease) in cash and cash equivalents	1,957	(33,223)
Cash and cash equivalents at beginning of the year	6,516	39,739
Cash and cash equivalents at end of the year	8,473	6,516
Cash and cash equivalents at end of the year, represented by		
bank balances and cash	8,473	6,270
fixed bank deposits	–	246
	8,473	6,516

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

## 1. GENERAL

Wing Lee Property Investments Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company and ultimate holding company is Bright Asia Holdings Limited, a company incorporated in the British Virgin Islands. The ultimate controlling party is Mr. Chow Tak Hung, who is the spouse of Ms. Chau Choi Fa (an executive director of the Company). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company and its subsidiaries are principally engaged in property investment. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given due and careful consideration to the future liquidity of the Group in light of the Group’s net current liabilities position of HK\$27,788,000 as at 31 December 2019. As at 31 December 2019, the Group obtained a bank facility of HK\$50,000,000 with an unutilised amount of HK\$40,000,000.

Having considered the above available undrawn bank facility and the estimated cash flows generated from the Group’s operations, the directors of the Company are satisfied that the Group will have sufficient working capital for its present requirements for the foreseeable future. On this basis, the consolidated financial statements have been prepared on a going concern basis.

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

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

The Company and its subsidiaries (collectively referred to as the “Group”) has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

**3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING  
STANDARDS (“HKFRSs”) – continued****New and Amendments to HKFRSs that are mandatorily effective for the current year –  
continued**

In addition, the Group has early applied Amendments to HKFRS 3 Definition of a Business which will be mandatorily effective for the Group for business combinations and asset acquisitions for which the acquisition is on or after 1 January 2020.

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has 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.

**HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

**Definition of a lease**

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING  
STANDARDS (“HKFRSs”) – continued****New and Amendments to HKFRSs that are mandatorily effective for the current year –  
continued***HKFRS 16 Leases – continued**As a lessor*

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group’s consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under other payables and rental deposits received. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition.

The application of HKFRS 16 has had no significant impact on the amounts reported and/or disclosures set out in these consolidated financial statements.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

**3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued**

**New and amendments to HKFRSs in issue but not yet effective**

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

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>3</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the directors of the Company 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

#### **New and amendments to HKFRSs in issue but not yet effective – continued**

##### *Amendments to HKAS 1 and HKAS 8 Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

##### *Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards*

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.



### **3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued**

#### **New and amendments to HKFRSs in issue but not yet effective – continued**

*Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards – continued*

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

### **4. SIGNIFICANT ACCOUNTING POLICIES**

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, investment in equity instrument designated at fair value through other comprehensive income (“FVTOCI”), and investment in equity instruments at fair value through profit or loss (“FVTPL”) which 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 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**4. SIGNIFICANT ACCOUNTING POLICIES – continued**

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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.

The principal accounting policies are set out below.

**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 when the Company:

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

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

**4. SIGNIFICANT ACCOUNTING POLICIES – continued****Basis of consolidation – continued**

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.

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

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases below.

Dividend income from investment in equity instruments at FVTPL is recognised when the rights to receive payment have been established.

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

**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 measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**4. SIGNIFICANT ACCOUNTING POLICIES – continued****Investment properties – continued**

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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.

**Property, plant and equipment**

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

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

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

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.

***Ownership interests in leasehold land and building***

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

**4. SIGNIFICANT ACCOUNTING POLICIES – continued****Leases**

*Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)*

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

*The Group as a lessor*

**Classification and measurement of leases**

Leases 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 lessee, 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.

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

*The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 3)*

**Allocation of consideration to components of a contract**

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

**Refundable rental deposits**

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

**Lease modification**

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**4. SIGNIFICANT ACCOUNTING POLICIES – continued****Impairment losses on property, plant and equipment**

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment is estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Borrowing costs**

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

**Retirement benefit costs**

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.

**4. SIGNIFICANT ACCOUNTING POLICIES – continued****Short-term employee benefits**

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

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

**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/profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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



**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**4. SIGNIFICANT ACCOUNTING POLICIES – continued****Taxation – continued**

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**Foreign currencies**

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

**4. SIGNIFICANT ACCOUNTING POLICIES – continued****Share-based payments***Equity-settled share-based payment 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. Details regarding the determination of the fair value of determination of the fair value of equity-settled share-based transactions are set out in note 24.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

**Financial instruments**

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**4. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Financial instruments – continued**

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

*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 FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling 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 the date of initial application of HKFRS 9/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 ("OCI") 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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES – continued

##### **Financial instruments – continued**

##### *Financial assets – continued*

##### *Classification and subsequent measurement of financial assets – continued*

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.

(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.

(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 excludes any dividend earned on the financial asset and is included in the “other gains or losses” line item.

(iii) Equity instruments designated as at FVTOCI

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

##### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9*

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including rental and other receivables, fixed bank deposits, short-term bank deposit and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments – continued

#### *Financial assets – continued*

#### Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – continued

Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for rental receivables under simplified approach. The ECL on rental receivables are assessed individually.

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

#### (i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

#### 4. SIGNIFICANT ACCOUNTING POLICIES – continued

##### **Financial instruments – continued**

##### *Financial assets – continued*

##### *Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – continued*

##### (i) Significant increase in credit risk – continued

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

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

##### (ii) Definition of default

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

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

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**4. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments – continued***Financial assets – continued*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – continued

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of rental receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.



**4. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments – continued***Financial assets – continued*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – continued

- (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data 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 a rental receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of rental receivables where the corresponding adjustment is recognised through a loss allowance account.

*Derecognition of financial assets*

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**4. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments – continued***Financial liabilities and equity**Classification as debt or equity*

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

*Equity instruments*

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

*Financial liabilities at amortised cost*

Financial liabilities (including other payables and bank loans) are subsequently measured at amortised cost, using the effective interest method.

*Derecognition of financial liabilities*

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

**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY**

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

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

**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY – continued****Critical judgements in applying accounting policies**

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

*Deferred taxation on investment properties*

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal. For investment property located in the People's Republic of China ("PRC"), deferred taxation liabilities are recognised on the increase in fair value of investment properties as the Group is subject to Land Appreciation Tax ("LAT") and capital gains tax upon disposal of the relevant investment property.

**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 causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Fair value measurement and valuation processes of investment properties*

Investment properties are carried in the consolidated statement of financial position at their fair values at the end of each reporting period as disclosed in note 14. The fair values have been based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions.

**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY – continued****Key sources of estimation uncertainty – continued***Fair value measurement and valuation processes of investment properties – continued*

In estimating the fair value of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group first considers and adopts Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group adopts valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the investment properties, the causes of the fluctuations are reported to the board of directors of the Company. Changes to assumptions and inputs would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss.

Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed in note 14.

*Fair value measurement of financial instruments*

The Group's investment in unquoted equity instruments amounting to HK\$38,755,000 as at 31 December 2019 (2018: HK\$45,147,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques.

Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 16 for further disclosures.

**6. SEGMENT INFORMATION**

The Group's operating activities are attributable to a single operating segment focusing on property investment. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that are regularly reviewed by the executive directors of the Company (the "Executive Directors"), being the chief operating decision maker. The Executive Directors regularly review revenue analysis by locations of the investment properties and relevant types of properties which generate rental income as presented below. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective locations. The Executive Directors review the overall results of the Group as a whole to make decisions about resources allocation.

Revenue represents the rental income received from operating leases.

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. SEGMENT INFORMATION – continued

An analysis of the Group's revenue by geographical locations of the investment properties and relevant types of properties which generate rental income are as follows:

	Revenue from external customers	
	2019 HK\$'000	2018 HK\$'000
<b>Hong Kong</b>		
Hong Kong Island:		
Commercial	19,673	18,776
Residential	–	384
Kowloon:		
Commercial	6,952	6,594
Residential	3,341	3,244
Industrial	2,700	2,796
<b>PRC</b>		
Shenzhen:		
Commercial	543	541
	33,209	32,335

During the years ended 31 December 2019 and 2018, no individual customer contributed over 10% of the total revenue of the Group.

Information about the Group's non-current assets presented based on the geographic location of the assets is as follows:

	2019 HK\$'000	2018 HK\$'000
Hong Kong	1,059,107	1,167,710
PRC	8,550	8,586
	1,067,657	1,176,296

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**7. OTHER INCOME**

	2019 HK\$'000	2018 HK\$'000
Interest income	68	203
Dividend income from investment in equity instruments at FVTPL	8	18
Gain on disposal of investment in equity instruments at FVTPL	10	–
Others	260	229
	<u>346</u>	<u>450</u>

**8. FINANCE COSTS**

	2019 HK\$'000	2018 HK\$'000
Interests on bank loans	2,641	1,669

**9. (LOSS) PROFIT BEFORE TAXATION**

	2019 HK\$'000	2018 HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' emoluments (note 10)	3,943	4,099
Other staff costs	1,614	1,693
Other staff's retirement benefits scheme contributions	48	50
Total staff costs	<u>5,605</u>	<u>5,842</u>
Auditor's remuneration	820	700
Depreciation of property, plant and equipment	501	534
Net exchange loss (included in other gains or losses)	20	37
Fair value changes for investment in equity instruments at FVTPL (included in other gains or losses)	–	75
and after crediting:		
Reversal of allowance for doubtful debts (included in other gains or losses)	<u>–</u>	<u>245</u>

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to the directors of the Company are as follows:

	Directors' fee	Basic salaries and allowances	Performance related incentive bonus	Retirement benefits scheme contributions	Share-based payments	Total directors' emoluments
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000	HK\$'000 (note d)	HK\$'000
<b>Year ended 31 December 2019</b>						
<i>Executive directors</i>						
Ms. Chau Choi Fa (note b)	–	139	1,000	9	–	1,148
Ms. Wong Siu Wah (note b)	–	139	1,000	–	–	1,139
Ms. Wong Vivien Man-Li	–	139	1,000	9	–	1,148
Ms. Chow Woon Yin (note c)	–	139	–	9	–	148
<i>Independent non-executive directors</i>						
Mr. Lam John Cheung-wah	120	–	–	–	–	120
Dr. Tse Kwok Sang	120	–	–	–	–	120
Mr. Chui Chi Yun Robert	120	–	–	–	–	120
	360	556	3,000	27	–	3,943

### Year ended 31 December 2018

<i>Executive directors</i>						
Ms. Chau Choi Fa (note b)	–	139	1,000	9	–	1,148
Ms. Wong Siu Wah (note b)	–	139	1,000	–	–	1,139
Ms. Wong Vivien Man-Li	–	139	1,000	9	–	1,148
Mr. Lui Siu Fung (note c)	–	250	–	12	–	262
Ms. Chow Woon Yin (note c)	–	40	–	2	–	42
<i>Independent non-executive directors</i>						
Mr. Lam John Cheung-wah	120	–	–	–	–	120
Dr. Tse Kwok Sang	120	–	–	–	–	120
Mr. Chui Chi Yun Robert	120	–	–	–	–	120
	360	707	3,000	32	–	4,099



NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued**

Notes:

- a. The performance related incentive bonus payment is determined with reference to the operating results and individual performance during both years.
- b. Ms. Chau Choi Fa and Ms. Wong Siu Wah are also the chairperson and chief executive officer ("CEO") of the Company, respectively, and their emoluments disclose above include those services rendered by them as chairperson and CEO of the Company, respectively.
- c. Ms. Chow Woon Yin was appointed as executive director of the Company on 19 September 2018 and Mr. Lui Siu Fung retired as executive director of the Company on 19 September 2018.
- d. Details of the share-based payments to directors of the Company are set out in note 24.

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

The independent non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

The five highest paid individuals for the year ended 31 December 2019 included three (2018: three) directors. The emoluments of the remaining two (2018: two) highest paid individuals for the year ended 31 December 2019 were as follows:

	2019 HK\$'000	2018 HK\$'000
Basic salaries and allowances	1,092	1,060
Performance related bonus	213	212
Retirement benefits scheme contributions	34	34
	<hr/> 1,339	<hr/> 1,306

The emoluments of the two (2018: two) employees, who are the Group's senior management members, were within the band of nil to HK\$1,000,000.

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the five highest paid individuals and directors, as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during both years.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

11. TAXATION

	2019 HK\$'000	2018 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	3,121	3,233
Overprovision in prior years	(158)	(42)
	2,963	3,191
PRC Enterprise Income Tax	49	51
	3,012	3,242
Deferred taxation charge (note 22)	216	189
	3,228	3,431

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 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 Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000.

According to Article 3 of the Enterprise Income Tax Law (中華人民共和國企業所得稅) and Article 91 of the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise without any establishment in China deriving income sourced in China is liable to Enterprise Income Tax on such income, at 10% of the gross amount. A group entity earns rental income derived from a property located in the PRC and is subject to PRC income tax calculated at 10% of the gross rental income received in the PRC.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

11. TAXATION – continued

Taxation for the year is reconciled to (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK\$'000	2018 HK\$'000
(Loss) profit before taxation	(86,853)	22,878
Taxation (credit) charge at applicable tax rate of 16.5%	(14,331)	3,775
Tax effect of income not taxable for tax purpose	(205)	(796)
Tax effect of expenses not deductible for tax purpose	18,257	774
Overprovision in prior years	(158)	(42)
Effect of different applicable tax rate for operations in the PRC	(40)	(38)
LAT and capital gains tax	(113)	29
Income tax at concessionary rate	(185)	(185)
Tax effect of tax losses not recognised	13	88
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	–	(223)
Others	(10)	49
Taxation for the year	3,228	3,431

Deferred tax on LAT is provided for according to the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) and its implementing rules which stipulate that LAT shall be chargeable on the appreciation in value, representing the excess balance of the proceeds from sales of real estates over the relevant direct costs, at rates progressing from 30% to 60%.

Deferred tax on Enterprise Income Tax for capital gain of a property held by the Group in the PRC is provided at 10% of the estimated net gain upon disposal of the property, representing the estimated sales proceeds from sale of property less its relevant costs including business tax and LAT.

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. DIVIDENDS

	2019	2018
	HK\$'000	HK\$'000

Dividends for ordinary shareholders of the Group recognised as distribution during the year:

Final dividend paid – HK\$0.02 per share paid for 2018

(2018: HK\$0.02 per share for 2017)	7,724	7,724
-------------------------------------	-------	-------

During the year ended 31 December 2019, a final dividend in respect of the year ended 31 December 2018 of HK\$0.02 per ordinary share in an aggregate amount of HK\$7,724,000 had been proposed and paid. There is no dividend proposed by the directors of the Company subsequent to the end of the reporting period.

### 13. (LOSS) EARNINGS PER SHARE

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

	2019	2018
	HK\$'000	HK\$'000

(Loss) earnings

(Loss) profit for the year attributable to the owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share

	(90,081)	19,447
--	----------	--------

	2019	2018
--	------	------

Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share

	386,175,758	386,175,758
--	-------------	-------------

For the years ended 31 December 2019 and 31 December 2018, the computation of diluted (loss) earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT PROPERTIES

	2019 HK\$'000	2018 HK\$'000
FAIR VALUE		
At beginning of the year	1,116,866	1,077,399
Additions	5,466	35,867
Transfer from property, plant and equipment (note)	–	1,450
Net changes in fair value	(107,212)	2,150
At end of the year	1,015,120	1,116,866
The carrying value of the investment properties shown above situated on:		
Land in Hong Kong	1,006,570	1,108,280
Land in the PRC	8,550	8,586
	1,015,120	1,116,866
Unrealised (loss) gain on investment properties revaluation included in profit or loss (included in net changes in fair value of investment properties)	(107,212)	2,150

Note: In prior year, the amount included a revaluation surplus of HK\$462,000 upon transfer of property, plant and equipment to investment properties which was credited to property revaluation reserve.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2019 and 31 December 2018 have been arrived at on the basis of a valuation carried out on those dates by RHL Appraisal Limited ("RHL"), an independent firm of professional property valuer not related to the Group whose address is Room 1010, Star House, Tsimshatsui, Kowloon, Hong Kong.

The valuation was arrived at by using direct comparison method by making reference to the comparable market transactions as available. The direct comparison method is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

**14. INVESTMENT PROPERTIES – continued**

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. There has been no change in the valuation technique used in both years.

	Carrying value of investment properties		Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
	31.12.2019 HK\$'000	31.12.2018 HK\$'000			
Industrial properties in Kowloon	86,090	90,390	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$5,060 to HK\$8,657 (2018: HK\$6,064 to HK\$9,901) per sq.ft, and adjusted taking into account locations and other individual factors such as floor level, building age, size and conditions of the properties.	The higher the price, the higher the fair value.
Residential properties in Hong Kong Island	–*	13,350	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$10,208 to HK\$11,574 per sq.ft, and adjusted taking into account locations and other individual factors such as floor level, building age, view, size and conditions of the properties.	The higher the price, the higher the fair value.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT PROPERTIES – continued

	Carrying value of investment properties		Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
	31.12.2019 HK\$'000	31.12.2018 HK\$'000			
Residential properties in Kowloon	74,750	71,380	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$5,837 to HK\$8,302 (2018: HK\$6,245 to HK\$7,069) per sq.ft, and adjusted taking into account locations and other individual factors such as floor level, building age, view, size and conditions of the properties.	The higher the price, the higher the fair value.
Commercial retail properties in Hong Kong Island	627,400*	695,000	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$8,559 to HK\$101,429 (2018: HK\$37,349 to HK\$109,589) per sq.ft, and adjusted taking into account locations and other individual factors such as shop frontage, size, layout and conditions of the properties.	The higher the price, the higher the fair value.



# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. INVESTMENT PROPERTIES – continued

	Carrying value of investment properties		Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
	31.12.2019 HK\$'000	31.12.2018 HK\$'000			
Commercial office properties in Hong Kong Island	41,430	43,760	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$12,718 to HK\$18,090 (2018: HK\$13,067 to HK\$18,381) per sq.ft, and adjusted taking into account locations and other individual factors such as floor level, building age, size and conditions of the properties.	The higher the price, the higher the fair value.
Commercial retail properties in Kowloon	176,900	194,400	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$25,882 to HK\$81,395 (2018: HK\$29,228 to HK\$118,957) per sq.ft, and adjusted taking into account locations and other individual factors such as shop frontage, size, layout and conditions of the properties.	The higher the price, the higher the fair value.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT PROPERTIES – continued

	Carrying value of investment properties		Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
	31.12.2019 HK\$'000	31.12.2018 HK\$'000			
Commercial property in the PRC	8,550	8,586	Level 3	Direct comparison method – based on price per square metre, using market observable comparable prices of similar properties ranging from HK\$27,065 to HK\$31,973 (2018: HK\$28,161 to HK\$32,759) per sq.m, and adjusted taking into account locations and other individual factors such as road frontage, size and conditions of the properties.	The higher the price, the higher the fair value.

\* All of the Group's residential properties in Hong Kong Island has been transferred to commercial retail properties in Hong Kong Island upon registration in the Land Registry.

All of the Group's investment properties were assumed to be recovered through sales and deferred tax liabilities in respect of fair value changes on investment properties have been estimated taking into account this assumption. The Group has not recognised deferred tax liabilities in relation to changes in fair value of the investment properties that are situated in Hong Kong during the years ended 31 December 2018 and 2019 as the Group is not subject to any income taxes on disposal of these investment properties. The Group has recognised deferred tax liabilities on changes in fair value of the investment property that is situated in the PRC as the property in the PRC is subject to LAT and capital gain tax upon disposal.

There were no transfers into or out of Level 3 during the year.

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
<b>COST</b>			
At 1 January 2018	18,167	334	18,501
Transfer to investment properties	(1,128)	–	(1,128)
At 31 December 2018 and at 31 December 2019	17,039	334	17,373
<b>DEPRECIATION</b>			
At 1 January 2018	2,395	301	2,696
Provided for the year	501	33	534
Transfer to investment properties	(140)	–	(140)
At 31 December 2018	2,756	334	3,090
Provided for the year	501	–	501
At 31 December 2019	3,257	334	3,591
<b>CARRYING VALUES</b>			
At 31 December 2019	13,782	–	13,782
At 31 December 2018	14,283	–	14,283

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

Leasehold land and buildings	Over the shorter of the term of the lease, or 50 years
Leasehold improvements	20%

The above leasehold land and buildings comprise a property situated in Hong Kong.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**16. INVESTMENT IN EQUITY INSTRUMENT DESIGNATED AT FAIR VALUE THROUGH OTHER  
COMPREHENSIVE INCOME**

	2019 HK\$'000	2018 HK\$'000
Unlisted partnership investment:		
Equity instrument	38,755	45,147

The unlisted equity investment represents the Group's equity interest in a private limited partnership entity established in the Cayman Islands. The directors of the Company have elected to designate the investment in equity instrument as at FVTOCI as they believe that recognising short-term fluctuations in the investment in profit or loss would not be consistent with the Group's strategy of holding the investment for long term investment purpose and realising the performance potential in the long run.

The fair value of the Group's investment in equity instrument at 31 December 2019 has been arrived at on the basis of a valuation carried out on those dates by Chung Hin Appraisal Limited, an independent firm of professional property valuer not related to the Group whose address is Unit 1102, 11/F, Pacific Plaza, 418 Des Voeux Road West, Hong Kong.

The following table gives information about how the fair values of the equity instrument determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. There has been no change in the valuation technique used in the year.

	Carrying value of investment properties		Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key inputs
	31.12.2019 HK\$'000	31.12.2018 HK\$'000		
Investment in equity instrument designated at FVTOCI – Unlisted partnership investment	38,755	45,147	Level 3	Net asset approach: The valuation by Chung Hin Appraisal Limited was arrived at by evaluating the net asset value of the unlisted partnership investment, which are the deemed resale price of the investment's underlying net assets with key unobservable inputs of (i) Gross development value on completion basis, mainly taking into account the time, location, building age and size between the comparables and the properties, which ranged from HK\$11,013 to HK\$15,175 (2018: HK\$13,636 to HK\$15,308) per sq.ft.; and (ii) level adjustment on individual floor of the properties at 50%. The directors have determined that the reported net asset values represent fair value of the investment.

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. RENTAL AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Rental receivables	419	162
Other receivables, deposits and prepayments	746	644
	1,165	806

The following is an aged analysis of rental receivables (presented based on rental demand notices issued on the first calendar day of each month) at the end of the reporting period:

	2019 HK\$'000	2018 HK\$'000
Age		
0 – 90 days	419	162

No credit period was granted to tenants of rental of premises. Before accepting any new tenants, the Group will internally assess the credit quality of the potential tenants.

As at 31 December 2019, included in balance of the Group's rental receivables are receivables with an aggregate carrying amount of HK\$419,000 (2018: HK\$162,000), which is past due at the end of the reporting period for which the Group has not provided for impairment loss. The rental receivables which are past due but not impaired were either received with rental deposit or amounts due from receivables which do not have historical default of payments. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**17. RENTAL AND OTHER RECEIVABLES – continued**

Movement in the allowance for doubtful debt

	2019 HK\$'000	2018 HK\$'000
At 1 January	–	487
Reversal of impairment loss previously recognised	–	(245)
Write-off	–	(242)
At 31 December	–	–

Details of impairment assessment of rental and other receivables for the year ended 31 December 2019 are set out in note 30.

**18. INVESTMENT IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2019 HK\$'000	2018 HK\$'000
Equity securities listed in Hong Kong at market value	–	325

**19. SHORT-TERM BANK DEPOSIT/FIXED BANK DEPOSITS/BANK BALANCES AND CASH**

At 31 December 2018, the fixed bank deposits carried fixed interest rates at 2.95% per annum with original maturity less than 3 months which are held for the purpose of meeting short-term cash commitments and are subject to an insignificant risk of changes in value.

At 31 December 2018, short-term bank deposit carried fixed interest rate at 3.70% per annum with original maturity over 3 months.

At 31 December 2019, bank balances carried effective interest rates ranging from 0.00% to 0.001% (2018: 0.00% to 0.001%) per annum.

**20. OTHER PAYABLES AND RENTAL DEPOSITS RECEIVED**

	2019 HK\$'000	2018 HK\$'000
Accrued expenses	5,298	5,171
Rental deposits received	8,799	9,066
Other payables	33	124
	14,130	14,361

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. BANK LOANS

	2019 HK\$'000	2018 HK\$'000
The bank loans are repayable as follows*:		
Within one year	19,777	15,753
Within a period of more than one year but not exceeding two years	29,733	8,979
Within a period of more than two years but not more than five years	20,621	50,359
	70,131	75,091
Carrying amounts of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	–	799
	70,131	75,890
Less: Amounts due within one year shown under current liabilities	(19,777)	(16,552)
Amounts shown under non-current liabilities	50,354	59,338

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2019, except for bank loans with aggregated amount of approximately HK\$3,892,000 (2018: HK\$10,422,000) carry interest at lower of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.70% to 1.00% (2018: 0.70% to 1.00%) and the bank's HK\$ Prime Rate ("Prime Rate") or Best Lending Rate ("BLR") less 2.75% (2018: 2.75%), the bank loans carry interest at higher of HIBOR plus 0.70% to 1.95% (2018: 0.70% to 1.95%) and Prime Rate or BLR less 2.75% (2018: 2.75%) or the bank's cost of funds. The effective interest rates of the bank loans range from 2.25% to 4.62% per annum (2018: 2.50% to 4.19% per annum).

At 31 December 2019, bank loans of HK\$57,743,000 (2018: HK\$72,906,000) are secured by mortgages over the Group's investment properties with carrying amount of HK\$428,700,000 (2018: HK\$472,020,000).

At 31 December 2019, a bank facility of HK\$50,000,000 (2018: HK\$50,000,000) with an unutilised amount of HK\$40,000,000 (2018: HK\$50,000,000) is secured by a legal charge over the Group's investment properties with carrying amount of HK\$56,400,000 (2018: HK\$60,240,000).

At 31 December 2019, a bank loan of HK\$2,388,000 (2018: HK\$2,984,000) was secured by a mortgage over the Group's leasehold land and buildings with carrying amount of HK\$13,782,000 (2018: HK\$14,283,000).



NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**22. DEFERRED TAX LIABILITIES (ASSETS)**

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the year:

	<b>Accelerated tax depreciation</b> HK\$'000	<b>LAT and capital gains tax</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2018	3,345	3,050	(11)	6,384
Charge to profit or loss (note 11)	160	28	1	189
At 31 December 2018	3,505	3,078	(10)	6,573
Charge (credit) to profit or loss (note 11)	358	(113)	(29)	216
At 31 December 2019	3,863	2,965	(39)	6,789

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

At 31 December 2019, the Group has unused tax losses of HK\$492,000 (2018: HK\$554,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$90,000 (2018: HK\$60,000) such losses at the end of the reporting period. No deferred tax assets has been recognised in respect of the remaining HK\$402,000 (2018: HK\$494,000) due to unpredictability of future profit streams. All these tax losses may be carried forward indefinitely.

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. SHARE CAPITAL

	Number of shares	Amount in HK\$	Shown in the consolidated financial statements HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2018, 31 December 2018 and 2019	1,000,000,000	10,000,000	
Issued and fully paid:			
At 1 January 2018, 31 December 2018 and 2019	386,175,758	3,861,757	3,862

### 24. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing 31 March 2015 pursuant to an ordinary resolution passed at the annual general meeting of the Shareholders held on 31 March 2015 for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group.

Under the Scheme, the Company may grant options, (the "Options") to selected employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible advisors, consultants, business partners and service providers of the Company and its subsidiaries at the discretion of the Board.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Any grant of the company's share option to any director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the Scheme is subject to the prior approval of the independent non-executive directors (excluding independent non-executive directors who are the proposed grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**24. SHARE-BASED PAYMENT TRANSACTIONS – continued**

The offer of a grant of share options may be accepted within 5 business days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme. The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the shares for the five business days immediately preceding the date of the offer; and (iii) the nominal value of the shares.

A summary of the details of the outstanding share options during the year ended 31 December 2019 under the Scheme is as follows:

Type of participant	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options		
				Outstanding at 1.1.2018	Lapsed in 2018	Outstanding 31.12.2018 and 31.12.2019
Directors	16.12.2016	16.12.2016 to 15.12.2026	1.254	11,971,446	(3,861,757)	8,109,689

At the end of the reporting period, 8,109,689 share options are exercisable (2018: 8,109,689).

These fair value of options at grant date were calculated using the Binomial option pricing model ("Binomial"). The inputs into the model were as follows:

Date of grant	16 December 2016
Model	Binomial
Number of share options	11,971,446
Expected/contractual life	10 years
Exercise price per share	HK\$1.254
Exercise multiple	2.8
Expected volatility	48.9%
Risk-free interest rate	1.813%
Expected dividend yield	N/A

**24. SHARE-BASED PAYMENT TRANSACTIONS – continued**

As the Binomial models require the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility used in the valuation of options was determined by using the historical volatility of the Company's share price since the Company's shares were listed on the Stock Exchange in March 2013. The contractual life used in the Binominal model is the full life of share options from date of grant to expiry date provided by the Company. For estimation of the early exercise behaviour of the directors, the management assumed an exercise multiple of 2.8 times for options granted in 2016 based on a research on the exercise behaviour of the Company's directors.

**25. MAJOR NON-CASH TRANSACTION**

During the year ended 31 December 2018, acquisition of an investment property was settled by utilising deposit paid for acquisition of an investment property of HK\$2,555,000 during that year (2019: nil).

**26. OPERATING LEASES**

**The Group as lessor**

Minimum lease payments receivable on leases are as follows:

	2019 HK\$'000
Within one year	24,821
In the second year	11,852
In the third year	3,713
	<hr/>
	40,386

The Group has contracted with leases for the following future minimum lease payments:

	2018 HK\$'000
Within one year	27,927
In the second to fifth year inclusive	16,613
	<hr/>
	44,540

The properties held have committed tenants for periods ranging from 1 year to 5 years.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**27. CAPITAL COMMITMENTS**

	2019 HK\$'000	2018 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– investment in equity instrument designated at FVTOCI	40,000	40,000

**28. RETIREMENT BENEFITS SCHEME**

The Group participates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the MPF Scheme. The retirement benefits scheme contributions arising from the scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

The total expense recognised in profit or loss of HK\$75,000 (2018: HK\$82,000) represents contributions payable to the MPF Scheme by the Group at rates specified in the rules of the plans.

**29. CAPITAL RISK MANAGEMENT**

The Group manages its 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank loans as disclosed in note 21 and equity attributable to owners of the Company, comprising issued share capital, share premium, share options reserve, special reserve, capital reserve, investment revaluation reserve, property revaluation reserve and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

### 30. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	2019 HK\$'000	2018 HK\$'000
<b>Financial assets</b>		
Amortised cost	9,046	7,188
Investment in equity instruments at FVTPL	–	325
Investment in equity instrument designated at FVTOCI	38,755	45,147
<b>Financial liabilities</b>		
Amortised cost	70,164	75,935

#### Financial risk management objectives and policies

The Group's major financial instruments include rental and other receivables, investment in equity instruments at FVTPL, investment in equity instrument designated at FVTOCI, fixed bank deposits, short-term bank deposit, bank balances and cash, other payables and bank loans. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**30. FINANCIAL INSTRUMENTS – continued****Financial risk management objectives and policies – continued***Currency risk*

The functional currency of the Company and its subsidiaries is HK\$ in which most of their transactions are denominated. The Group has rental income dominated in Renminbi (“RMB”). The management of the Group considers the amount of RMB rental income is insignificant. However, the Group has foreign currency denominated short-term bank deposit, fixed bank deposits and certain bank balances at the end of the reporting period and details of which are disclosed in note 19. The Group mainly exposed to currency risk of RMB.

The sensitivity analysis below has been determined based on a 8% (2018: 8%) possible appreciation or depreciation in RMB against HK\$. The Group currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust its translation at the end of the reporting period for a 8% (2018: 8%) change in the foreign currency rates. The sensitivity rate used is the rate when reporting foreign currency risk internally to key management personnel and represents the management’s assessment of the reasonably possible change in foreign exchange rates.

If the RMB appreciates 8% (2018: 8%) against HK\$ and all other variables were held constant, the Group’s post-tax loss for the year ended 31 December 2019 would decrease by HK\$26,000 (2018: post-tax profit for the year would increase by HK\$74,000). There would be an equal and opposite impact on post-tax loss/profit for the year if RMB depreciates 8% (2018: 8%) against HK\$.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

*Interest rate risk*

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank loans (see note 21 for details of these loans).

The Group aims at keeping bank loans at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of bank loans in floating rates and ensure they are within reasonable range.

The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group’s HK\$ denominated bank loans.



**30. FINANCIAL INSTRUMENTS – continued****Financial risk management objectives and policies – continued***Interest rate risk – continued*

The Group is also exposed to fair value interest rate risk in relation to its fixed-rate short-term bank deposit and fixed bank deposits at the end of the reporting period. The directors of the Company consider that the Group's exposure to these deposits to interest rate risk is not significant as these deposits are within short maturity period of three months or less.

Interest expenses on financial liabilities not measured at FVTPL:

	2019 HK\$'000	2018 HK\$'000
Financial liabilities at amortised cost	2,641	1,669

*Sensitivity analysis*

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank balances and bank loans. The analysis is prepared assuming the bank balances and bank loans at the end of the reporting period were outstanding for the whole year. The basis point 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.

For variable-rate bank balances, if the interest rates had been 50 basis points (2018: 50 basis points) higher and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2019 would decrease by HK\$42,000 (2018: post-tax profit would increase by HK\$31,000). The directors of the Company are of the opinion that there is no downside exposure on interest rate movement to the Group's variable-rate bank balances at the end of the reporting period as these bank balances already bear close to zero interest.

For variable-rate bank loans, if the interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2019 would increase/decrease by HK\$351,000 (2018: post-tax profit for the year would decrease/increase by HK\$379,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**30. FINANCIAL INSTRUMENTS – continued**

**Financial risk management objectives and policies – continued**

*Other price risk*

The Group is exposed to equity price risk on investment in equity instrument designated at FVTOCI as the Group invested in certain unquoted equity instrument during the years ended 31 December 2019 and 2018 for an investee operating in property development industry sector for long term strategic purposes which had been designed as FVTOCI. The Group will consider hedging the risk exposure should the need arise. The Group's investment revaluation reserve would increase/decrease by HK\$3,876,000 (2018: HK\$4,515,000) if the price of the equity instrument had been 10% higher/lower.

In addition, the Group was also exposed to equity price risk through its investment in equity instruments at FVTPL for the year ended 31 December 2018. The Group's equity price risk was mainly concentrated on equity instruments operating in the banking industry sector quoted in the Stock Exchange. The directors of the Company would monitor the price risk and would consider hedging the risk exposures should the need arise. If the market prices of the investments in equity instruments at FVTPL had been 10% higher/lower, the Group's post-tax profit for the year ended 31 December 2018 would increase/decrease by HK\$27,000. The Group does not hold any investment in equity instruments at FVTPL at 31 December 2019.

*Credit risk and impairment assessment*

As at 31 December 2019, the carrying amounts of the financial assets best represent the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

*Rental receivables*

The Group's credit risk is primarily attributable to its rental receivables. In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants, no credit period is granted to tenants. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As part of the Group's credit risk management, the Group assessed the ECL for each of the rental receivable individually. No impairment allowance for the remaining rental receivables was provided since the loss given default and exposure at default are significantly reduced as due to the low probability of default of those receivables based on historical credit loss experience and rental deposits received from those tenants. The directors of the Company have also considered reasonable and supportable best information available without undue cost or effort including historical evidences and forward looking information, such as, but not limited to, subsequent settlement, and concluded that there is no significant increase in credit risk.

**30. FINANCIAL INSTRUMENTS – continued****Financial risk management objectives and policies – continued***Credit risk and impairment assessment – continued**Other receivables*

No allowance for impairment was made for other receivables since the directors of the Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

*Short-term bank deposit/fixed bank deposits/bank balances*

The credit risk on short-term bank deposit, fixed bank deposits and bank balances are limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no other significant concentration of credit risk.

*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 bank loans and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As at 31 December 2019, except for an unutilised bank facility of HK\$40,000,000 (2018: HK\$50,000,000), all remaining bank loan facilities have been utilised. Details of which are set out in note 21.

At 31 December 2019, the Group has net current liabilities of approximately HK\$27,788,000 (2018: HK\$23,462,000). In order to mitigate the liquidity risk, as disclosed in note 2, the Group obtained a bank facility of HK\$50,000,000 (2018: HK\$50,000,000) with an unutilised balance of HK\$40,000,000 (2018: HK\$50,000,000). Together with estimated cash flows generated from the Group's operations, the directors of the Company consider that the Group has sufficient working capital for its present requirements. The directors of the Company will continue to closely monitor the liquidity of the Group in order to maintain a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. 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 loans 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. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**30. FINANCIAL INSTRUMENTS – continued****Financial risk management objectives and policies – continued***Liquidity risk – continued*

The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>At 31 December 2019</b>							
<b>Non-derivative financial liabilities</b>							
Other payables	–	33	–	–	–	33	33
Variable-rate bank loans (note)	4.25	2,049	12,574	7,321	52,946	74,890	70,131
		2,082	12,574	7,321	52,946	74,923	70,164
<b>At 31 December 2018</b>							
<b>Non-derivative financial liabilities</b>							
Other payables	–	45	–	–	–	45	45
Variable-rate bank loans (note)	3.73	1,462	2,676	13,997	64,698	82,833	75,890
		1,507	2,676	13,997	64,698	82,878	75,935

**30. FINANCIAL INSTRUMENTS – continued**

**Financial risk management objectives and policies – continued**

*Liquidity risk – continued*

Note:

Pursuant to Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains Repayment on Demand Clause, term loans include a clause that gives the lender the unconditional right to call the loans at any time should be classified by the borrower as current liabilities. Bank loans with a repayment on demand clause are included in the “On demand or less than 1 month” time band in the above maturity analysis and the carrying amount recognised by the Group at the end of the reporting period is set out in note 21. The directors of the Company believe that such bank loans will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements as follows:

	<b>Total undiscounted cashflow HK\$'000</b>	<b>Total carrying amount HK\$'000</b>
<b>At 31 December 2019</b>		
Bank loans to be repaid:		
Within one year	21,944	19,777
More than one year but not more than five years	52,946	50,354
	<hr/> 74,890	<hr/> 70,131
<b>At 31 December 2018</b>		
Bank loans to be repaid:		
Within one year	18,135	16,552
More than one year but not more than five years	64,698	59,338
	<hr/> 82,833	<hr/> 75,890

The amounts included above for variable rate bank loans are subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

**30. FINANCIAL INSTRUMENTS – continued****Fair value***(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Except for investment in equity instrument designated at FVTOCI disclosed in note 16, certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial asset	Fair value		Fair value hierarchy	Valuation techniques and key inputs
	2019	2018		
	HK\$'000	HK\$'000		
Investment in equity instruments at FVTPL	–	325	Level 1	Quoted bid prices in an active market

There were no transfers between level 1 and other Levels during the year.

*(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis*

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	<b>Bank loans</b>	<b>Dividend payable</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
	(note 21)	(note 12)	
At 1 January 2018	41,139	–	41,139
Dividend declared	–	7,724	7,724
Interest accrued	1,669	–	1,669
Net financing cash inflows (outflows)	33,082	(7,724)	25,358
At 1 January 2019	75,890	–	75,890
Dividend declared	–	7,724	7,724
Interest accrued	2,641	–	2,641
Net financing cash outflows	(8,400)	(7,724)	(16,124)
At 31 December 2019	70,131	–	70,131

### 32. RELATED PARTIES TRANSACTIONS

Directors and the highest paid individual are key management personnel of the Group whose remuneration are disclosed in note 10. The remuneration of the directors of the Company during the year was determined by the remuneration committee having regard to the performance of the individuals and market trends.

During the year ended 31 December 2019, the Group acquired an investment property of which a daughter of an executive director has interest in the property. The aggregate consideration of the property of approximately HK\$5,466,000 comprises acquisition cost of the property of HK\$4,200,000 and other directly attributable costs of approximately HK\$1,266,000.



**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

	2019 HK\$'000	2018 HK\$'000
Non-current asset		
Investment in a subsidiary	703,798	703,798
Current assets		
Prepayments	300	231
Amounts due from subsidiaries	60,002	60,024
Bank balances	197	218
	60,499	60,473
Current liabilities		
Other payables	25	26
Amount due to a subsidiary	45,099	36,497
	45,124	36,523
Net current assets	15,375	23,950
Net assets	719,173	727,748
Capital and reserves		
Share capital	3,862	3,862
Reserves (note 34)	715,311	723,886
Total equity	719,173	727,748

# WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34. RESERVES OF THE COMPANY

	Share premium HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2018	705,280	7,766	19,659	732,705
Loss and total comprehensive expense for the year	–	–	(1,095)	(1,095)
Release of lapsed equity-settled share-based payments	–	(2,505)	2,505	–
Dividend paid	–	–	(7,724)	(7,724)
At 31 December 2018	705,280	5,261	13,345	723,886
Loss and total comprehensive expense for the year	–	–	(851)	(851)
Dividend paid	–	–	(7,724)	(7,724)
At 31 December 2019	705,280	5,261	4,770	715,311

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**35. PRINCIPAL SUBSIDIARIES**

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of company	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Company		Principal activity
			2019	2018	
Tierra Development Limited*#	British Virgin Islands 8 May 2012	US\$2,000	100%	100%	Investment holding
City Harvest Holdings Limited*#	British Virgin Islands 21 June 2018	US\$1,000	100%	100%	Investment holding
Extra Rich Development Limited*** 碧豪發展有限公司	Hong Kong 17 January 1989	HK\$10,000	100%	100%	Property investment
Fast Silver Development Limited*** 銀迅發展有限公司	Hong Kong 22 July 2010	HK\$10,000	100%	100%	Property investment
Fortune Source Limited*** 貴源有限公司	Hong Kong 28 June 2013	HK\$10,000	100%	100%	Property investment
Good Ocean Development Limited*** 海佳發展有限公司	Hong Kong 25 November 2010	HK\$10,000	100%	100%	Property investment
Habitat One Development Limited*** 景逸發展有限公司	Hong Kong 27 June 2012	HK\$10,000	100%	100%	Property investment
Good Harvest Capital Investment Limited*** 益豐創富有限公司	Hong Kong 9 September 2013	HK\$10,000	100%	100%	Investment holding
Joy Smart Properties Limited*** 欣俊置業有限公司	Hong Kong 22 September 2014	HK\$1	100%	100%	Property investment
Joy Bright International Development Limited**# 喜輝國際發展有限公司	Hong Kong 8 March 2018	HK\$1	100%	100%	Property investment
Habitat Two Development Limited*** 景義發展有限公司	Hong Kong 10 August 2019	HK\$10,000	100%	N/A	Property investment

\* Directly held by the Company.

\*\* Directly held by Tierra Development Limited.

# Principal operation located in Hong Kong.

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

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

# WING LEE PROPERTY INVESTMENTS LIMITED

## FINANCIAL SUMMARY

### Year ended 31 December

	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
<b>RESULTS</b>					
Revenue	29,704	32,585	31,516	32,335	33,209
Profit (loss) before taxation	28,882	2,469	52,453	22,878	(86,853)
Taxation	(2,891)	(3,527)	(2,901)	(3,431)	(3,228)
Profit (loss) for the year	25,991	(1,058)	49,552	19,447	(90,081)

### At 31 December

	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total Assets	1,120,521	1,105,757	1,136,867	1,184,297	1,077,295
Total Liabilities	98,328	76,856	62,276	97,374	94,569
Net Assets	1,022,193	1,028,901	1,074,591	1,086,923	982,726

**SUMMARY OF INVESTMENT PROPERTIES  
HELD BY THE GROUP**

AT 31 DECEMBER 2019

Particulars of the Group's investment properties at 31 December 2019 are as follows:

Location	Usage	Group's Interest	Lease Term
Shop No. C2A, C2B and C2D on G/F, China Insurance Group Building, No. 141 Des Voeux Road Central, No. 73 Connaught Road Central and Nos. 61-65 Gilman Street, Central, Hong Kong	Commercial	100%	Long
Shop No. 7 on G/F, Rialto Building, No. 2 Landale Street, Wanchai, Hong Kong	Commercial	100%	Long
G/F & Cockloft, No. 61 Wellington Street, Central, Hong Kong	Commercial	100%	Long
2/F, No. 59 Wellington Street, Central, Hong Kong	Commercial	100%	Long
G/F and Flat C on 1/F of Wah Fung Building, No. 296-298 Lockhart Road, Hong Kong	Commercial & Residential	100%	Long
Flat B on G/F (Shop B on Ground Floor), Hung Fook Mansion, No. 360 Lockhart Road, Hong Kong	Commercial	100%	Long
Shop A, B and C on G/F and 1/F, Kam Tak Mansion, Nos. 88-90 Queen's Road East, Hong Kong	Commercial	100%	Long
Shop E on G/F and Mezzanine Floor, Cheong Hong Mansions, Nos. 25-33 Johnston Road, Nos. 1-3 Thomson Road, No. 2 Fenwick Street, Hong Kong	Commercial	100%	Long
G/F & M/F, Mandarin Commercial House, No. 38 Morrison Hill Road, Hong Kong	Commercial	100%	Long
G/F and 1/F, Wayson Commercial House, Nos. 68-70 Lockhart Road, Hong Kong	Commercial	100%	Long
No. 656 Shanghai Street, Kowloon	Residential & Commercial	100%	Medium
4/F and 6/F, No. 658 Shanghai Street, Kowloon	Residential	100%	Medium
G/F-3/F, No. 3 Ma Tau Kok Road, Kowloon	Residential & Commercial	100%	Medium
2/F, No. 5 Ma Tau Kok Road, Kowloon	Residential	100%	Medium
No. 347 Portland Street, Kowloon	Residential & Commercial	100%	Long
Unit No. 201, 207 and 208 on 2/F, Sunbeam Centre, No. 27 Shing Yip Street, Kowloon	Industrial	100%	Medium
P13 and P14 on 3/F, King Palace Plaza, 55 King Yip Street, Kowloon	Carpark	100%	Medium
G/F, No. 27 Man On Street, Kowloon	Commercial	100%	Medium
G/F, No. 20 Lok Kwan Street, Kowloon	Commercial	100%	Medium
Unit 1409, Level 14, Shenhua Commercial Building, No. 2018 Jiabin Road, Luohu District, Shenzhen, PRC	Commercial	100%	Medium