渝太地產集團有限公司
Y. T. REALTY GROUP LIMITED
Stock Code : 75

ANNUAL REPORT
2020

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Cheung Chung Kiu
(Chairman and Managing Director)
Yuen Wing Shing
Tung Wai Lan, Iris
Wong Hy Sky
(former English name: Huang Yun)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ng Kwok Fu
Luk Yu King, James
Leung Yu Ming, Steven

AUDIT COMMITTEE

Luk Yu King, James *(Chairman)*
Ng Kwok Fu
Leung Yu Ming, Steven

REMUNERATION COMMITTEE

Leung Yu Ming, Steven *(Chairman)*
Cheung Chung Kiu
Ng Kwok Fu

NOMINATION COMMITTEE

Cheung Chung Kiu *(Chairman)*
Ng Kwok Fu
Leung Yu Ming, Steven

AUTHORISED REPRESENTATIVE

Cheung Chung Kiu
Yuen Wing Shing *(Alternate to Cheung Chung Kiu)*
Yuen Wing Shing
Cheung Chung Kiu *(Alternate to Yuen Wing Shing)*

COMPANY SECRETARY

Albert T. da Rosa, Jr.

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

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EXTERNAL AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia, Limited

LEGAL ADVISER

Bermuda:
Conyers Dill & Pearman

Hong Kong:
Woo, Kwan, Lee & Lo
Cheung Tong & Rosa Solicitors

REGISTRAR & TRANSFER OFFICE

Bermuda:
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Bermuda

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SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 75

On behalf of the board of directors, I am pleased to report the following results and operations of the Group for the year ended 31 December 2020.

RESULTS

The audited consolidated net loss attributable to shareholders after tax for the year was HK$134.3 million and the loss per share amounted to HK16.8 cents, as compared to net profit of HK$83.8 million and the earnings per share of HK10.5 cents for the year ended 31 December 2019.

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK1 cent). No interim dividend was paid during the year (2019: Nil).

NET ASSET VALUE

The consolidated net asset value attributable to equity holders of the Group as at 31 December 2020 was HK$1,766.6 million (2019: HK$1,739.3 million). The consolidated net asset value per share as at 31 December 2020 was HK$2.21 based on 799,557,415 shares in issue as compared to HK$2.18 per share based on 799,557,415 shares in issue as at 31 December 2019.

BUSINESS REVIEW

In 2020, the global economy was undermined by the COVID-19 pandemic as economic activities reduced substantially due to lockdown measures and cross-border restriction imposed by many countries to control spread of the coronavirus. Most of the major economies had plunged into recession.

In the US, COVID-19 infection cases were the highest in the world. The impact of the pandemic and the trade dispute with China resulted in economic contraction. In response, the US Federal Reserve cut interest rate to its lowest level in history. Despite government subsidies and economic stimulus, there was still no convincing sign of economic recovery.

In Mainland China, the negative impact of the coronavirus resulted in shrinkage of GDP by more than 5% for the first quarter of 2020. However, under strict preventive measures and consorted efforts, the outbreak of coronavirus was under control with trades and business activities gradually picking up during the second quarter of the year. To ensure economic recovery, the central government had provided accommodative monetary policy and necessary fiscal stimulus. Despite the US-China trade conflict continued and the world-wide pandemic, China became the first major economy to show economic recovery and recorded growth as compared to last year.

BUSINESS REVIEW *(continued)*

In Hong Kong, the local economy was severely impacted by the pandemic. Economic sectors such as retail, catering, and tourism were hardest hit due to strict social distancing measures and restriction on cross-border travels imposed by the government. At the end of 2020, unemployment rate climbed to over 6% and GDP declined by approximately 6%. The commercial property market was very weak, especially in the retail sectors. Rental and property values recorded significant downward adjustments and vacancy increased during the year. In addition, landlords were under insurmountable pressure to provide rental assistance and concession to alleviate the economic hardship and financial difficulty on tenants.

In the UK, it had formally left the European Union after January 2020. UK economy was affected by uncertainty as negotiation between UK and European Union continued for trade, tariff and other essential terms during the year. With the pandemic, the UK economy was further dampened as business and social activities dropped drastically due to large scale lockdowns. The property market was affected inevitably. Hospitality and restaurant business were among the hardest hit sectors. Rental concession and assistance programs were provided to tenants by many landlords. During the year, the Group's major investment properties in London were unable to immune from being affected, but the impact was relatively less than the general property market due to the prime location of our properties in London.

In 2020, the Group recorded a net loss attributable to shareholders in the amount of HK$134.3 million as compared to net profit of HK$83.8 million in 2019.

Revaluation of the Group's investment properties resulted in a loss of HK$19.0 million (2019: HK$56.3 million surplus). The revaluation loss was reported in the statement of profit or loss.

Property Investment

As at the end of 2020, the Group's major investment properties include:

1 Chapel Place, London, UK
1 Harrow Place, London, UK

Gross rental income for the year amounted to HK$45.3 million, a slight decrease of about 0.6% when compared with last year's rental income of HK$45.5 million. Decrease in rental income is due to decline in exchange rate of British Pound Sterling during the year as compared to last year. The Group's investment properties in UK generated stable recurring rental income and achieved 100% occupancy rate at end of 2020.

Treasury Management

In 2020, treasury management income amounted to HK$4.2 million, a decrease of 44.5% from HK$7.5 million recorded in 2019. The decrease in treasury management income was primarily due to drop in bank interest income as compared to 2019.

BUSINESS REVIEW *(continued)*

Property Development and Trading

In 2020, the Group had expanded its property business to include property development. During the year, the group acquired 4 property projects in PRC. Two property projects had commenced pre-sale in 2020. The aggregate contract sales was approximately HK$3,042.9 million during the year. Revenue recognized amounted to HK$236.6 million in 2020.

The breakdown of contract sales in 2020 is as follows:

Projects	Location	Contract Sales *RMB'000*	Contract Sales GFA *Sqm*	Average Selling Price *RMB/sqm*
Binjiang Wisdom City	Meishan, Sichuan	1,237,889	112,209	11,032
The City of Islands	Meishan, Sichuan	1,804,961	208,805	8,644

Material Acquisitions

On 26 March 2020, the Group entered into an agreement to acquire the entire issued share capital of Prime Circle Global Limited, which holds indirectly 80% of the interest in a property development site with aggregate site area of approximately 290,000 sqm in Meishan, Sichuan Province, the PRC. The total purchase consideration was HK$350 million. Completion took place on 2 June 2020. Further details of the acquisition were already disclosed in the relavant announcements and circular issued by the Company.

On 4 September 2020, the Group entered into an agreement to acquire the entire issued share capital of Great Giant Investment Limited, which holds indirectly 67% of the interest in development sites with aggregate site area of approximately 653,000 sqm in Meishan, Sichuan Province, the PRC. The total purchase consideration was HK$30 million. Completion took place on 11 September 2020. Further details of the acquisition were already disclosed in the relavant announcements issued by the Company.

The acquisitions allowed the Group to tap into the property development business in the PRC and capture benefits of the PRC property market with sustainable demand in the long run, integrating well into the Group's exisiting property businesses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had net borrowing of HK$2,723.7 million (31 December 2019: Nil), consisting cash and cash equivalents, and restricted bank balances of HK$1,088.2 million and total borrowings of HK$3,811.9 million. The gearing ratio of the Group was 154.2% (31 December 2019: Zero). The gearing ratio, if any, is calculated as the ratio of net borrowings to shareholders' funds.

As at 31 December 2020, the total cash and cash equivalents, and restricted bank balances amounted to HK$1,088.2 million (31 December 2019: HK$451.6 million), approximately 85.2% was denominated in RMB, 7.5% in USD, 5.7% in GBP and 1.6 % in HKD.

As at 31 December 2020, the Group's total borrowings amounted to HK$3,811.9 million which is secured by the pledge of certain property interest in PRC and equity interests in certain subsidiaries of the Group. Approximately 70.8% of total borrowings was denominated in RMB and 29.2% in HKD. The Group proactively managed its financial resources and devised appropriate funding plan for working capital and capital expenditure.

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

The maturity profile of the Group's bank and other borrowings as at 31 December 2020 is as follows:

	RMB *HK$'M*	HKD *HK$'M*	Total *HK$'M*	Percentage
Repayable:				
Within one year or on demand	31.0	—	31.0	0.8%
In the second year	2,544.6	1,112.3	3,656.9	95.9%
In the third year	124.0	—	124.0	3.3%
Total	2,699.6	1,112.3	3,811.9	100.0%

The Group has its major property business operations in UK and PRC. Therefore, it is subject to foreign exchange rate fluctuation of British Pound Sterling and Renminbi.

CONTINGENT LIABILITIES / FINANCIAL GUARANTEES

As at 31 December 2020, the Group provided financial guarantees to certain banks in respect of mortgage facilities provided for certain purchasers of the Group's properties in the PRC amounting to HK$1,499.6 million.

Save as disclosed above, the Group did not have any contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

PROSPECTS AND STRATEGIES

For the coming year, we anticipate the global economy to be gradually stabilized but volatility and uncertainty may still exist. Despite vaccines for COVID-19 are available, it is still very difficult to predict when the global economy can resume its normal pace. The trade war between US and China will continue and inevitably have negative impact not only for the two countries but the global economy. The US Federal Reserve had cut interest rate to a very low level and will continue to provide necessary fiscal stimulus to revive the economy. Many countries have also adopted very accommodative monetary policies to provide liquidity to counter economic downturn.

In Mainland China, the coronavirus has been under control to a large extent and vaccination has been in progress, the economy will continue to recover. However, the magnitude of economic recovery will also depend on the intensity of the trade conflict with the US. To support economic recovery and growth, the Central Government will continue its accommodative monetary policy and provide fiscal stimulus as necessary. The property market, in particular the residential sector, is expected to be resilient in the long term.

In Hong Kong, the degree of recovery of the local economy depends on the successful control of the pandemic locally and around the world. Only when businesses can operate normally, social distance measures relax, and tourism improves, recovery of the local economy will then pick up its pace. In addition to the impact of the coronavirus, the local economy will be affected by economic development in Mainland China and the US-China trade war. It is expected that the commercial property market will continue to be challenging in 2021.

PROSPECTS AND STRATEGIES *(continued)*

For the UK, economic recovery will continue to be affected by the pandemic and the uncertainty arising from trade and other negotiations between UK and European Union in 2021. Even though it is not certain when the economy in UK will be back to its normal pace, it is expected that property market in London will be relatively more resilient as compared to other regions of UK as London is the major business hub in Europe and preferred investment location for international investors.

Amid the challenging economic and market conditions, the Group will adopt a cautious and proactive approach for its core investment and to look for opportunities in property markets with strong and resilient economic prospects for sustainable development of the Group and further enhance the returns for our shareholders in the long run. The Group remains positive about the long-term economic prospect of China and the PRC property market which is expected to be resilient with sustainable demand. The Group will continue its efforts to expand its property business in PRC property market.

STAFF

As at 31 December 2020, the Group employed 28 staff members. Staff remuneration is reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits including medical insurance, pension scheme and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors depending upon the financial performance of the Group.

APPRECIATION

I would like to take this opportunity to thank our shareholders and business partners for their continuing support, and the Group's dedicated management and staff for their valuable contributions during the past year.

Cheung Chung Kiu
Chairman and Managing Director

Hong Kong, 22 March 2021

EXECUTIVE DIRECTOR / SENIOR MANAGER

Cheung Chung Kiu, aged 56, was appointed Chairman of the Company on 28 September 2000 and has further assumed the role of Managing Director since 29 February 2016. He is a member of the Executive Committee and the Remuneration Committee of the Company, as well as a member and chairman of the Nomination Committee of the Company. He also holds directorships in certain other members of the Group. Mr. Cheung has a wide range of experience in investment and business management, including over 25 years of experience in property development and investment mainly in Hong Kong and the PRC as well as in other mature cities globally, including London and Sydney. He is chairman of The Cross-Harbour (Holdings) Limited ("Cross-Harbour") and C C Land Holdings Limited ("C C Land"). He was the founder of Planetree International Development Limited (formerly known as Yugang International Limited, "Planetree") and served as an executive director and chairman of its board of directors until 30 April 2019. Cross-Harbour, C C Land and Planetree are public listed companies in Hong Kong. He is a director of Windsor Dynasty Limited and First Rose Global Limited, which are companies disclosed in the section headed "Other Persons' Interests and Short Positions" on pages 46 and 47.

Yuen Wing Shing, aged 74, was appointed Executive Director of the Company on 28 September 2000 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Yuen holds a diploma in management studies from The Hong Kong Polytechnic University. Prior to joining the Company, he had held senior management positions with a major bank in Hong Kong for over 20 years. He is an executive director of Cross-Harbour and a Shareholder Supervisor of the seventh session of the Supervisory Board of Shengjing Bank Co., Ltd. ("Shengjing"), a public listed company in Hong Kong. He served as an executive director and managing director of Planetree until 30 April 2019 and as a non-executive director of Shengjing until 20 October 2020.

Tung Wai Lan, Iris, aged 55, was appointed Executive Director of the Company on 28 September 2000 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Ms. Tung holds a master of philosophy degree from The Chinese University of Hong Kong. She is an executive director of Cross-Harbour.

Wong Hy Sky (former English name: Huang Yun), aged 49, was appointed Executive Director of the Company on 15 October 2019 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Wong has more than 20 years of extensive experience in investments, operations and business management, and is particularly passionate about promoting enterprise innovation. He is a pragmatic entrepreneur and has experience in forming joint ventures with large enterprises to jointly operate and develop the markets. He has engaged in various businesses including comprehensive large-scale real estate development, infrastructure construction, oil and natural gases, and fast-moving consumer goods. He is a director of Joybeam Global Limited and Ever Lead Developments Limited, which are companies disclosed in the section headed "Other Persons' Interests and Short Positions" on pages 46 and 47.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ng Kwok Fu, aged 49, was appointed Independent Non-executive Director of the Company on 30 September 2004 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Ng holds a certificate in accounting from Grant MacEwan Community College of Canada. He has over 20 years of experience in the marketing, trading, purchasing and developing of construction materials as well as in technical control, support and management in building projects. He is an independent non-executive director of Cross-Harbour, and served as an independent non-executive director of Planetree until 30 April 2019.

Luk Yu King, James, aged 66, was appointed Independent Non-executive Director of the Company on 10 September 2007 and is a member and the chairman of the Audit Committee of the Company. Mr. Luk graduated from The University of Hong Kong with a bachelor of science degree. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and an ordinary member of the Hong Kong Securities and Investment Institute. He has over 15 years of experience in corporate finance and in securities & commodities trading business, working with international and local financial institutions. He is an independent non-executive director of Cross-Harbour, and served as an independent non-executive director of Planetree until 30 April 2019.

Leung Yu Ming, Steven, aged 61, was appointed Independent Non-executive Director of the Company on 1 October 2007 and is a member of the Audit Committee and the Nomination Committee of the Company, as well as a member and chairman of the Remuneration Committee of the Company. Mr. Leung received his bachelor of social science degree from The Chinese University of Hong Kong and master's degree in accountancy from Charles Sturt University of Australia. He is an associate of The Institute of Chartered Accountants in England and Wales and a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong. He is also a certified practising accountant in Australia and a practising certified public accountant in Hong Kong. Mr. Leung commenced public practice in auditing and taxation in 1990 and is currently a senior partner in a CPA firm. He has over 30 years of experience in assurance, financial management and corporate finance, having previously worked as assistant vice president in the International Finance and Corporate Finance Department of Nomura International (Hong Kong) Limited. He is an independent non-executive director of Suga International Holdings Limited, a public listed company in Hong Kong, Cross-Harbour and C C Land, and served as an independent non-executive director of Planetree until 30 April 2019.

SHAREHOLDER VALUE

The Company has always been committed to upholding the principles of good corporate governance. These principles highlight an effective board, sound risk management and internal control systems as well as transparency and accountability. The board considers such commitment essential in balancing the interests of various stakeholders and the Company and its subsidiaries (the "Group") as a whole. The Company sees to it that the corporate governance agenda is focused on improving performance and not just bogged down in conformity and compliance.

CORPORATE GOVERNANCE

This report sets out the Company's application in the year to 31 December 2020 of the Corporate Governance Code (the "CG Code") set out within Appendix 14 to the Main Board Listing Rules (the "Listing Rules"). To ensure that governance standards are met, and that processes are in place to ensure continuous improvements, the full board assumes the corporate governance duties rather than delegates the responsibility to a committee.

The board is responsible for discharging the corporate governance functions prescribed under the CG Code.

During the year up to the date of this report, the board conducted an annual review of (a) the Company's policies and practices on corporate governance; (b) the training and continuous professional development of directors (including executive directors who are senior management of the Company); (c) the Company's policies and practices on compliance with legal and regulatory requirements; and (d) the conduct codes applicable to employees and directors. The board also reviewed the Company's compliance with the CG Code at regular intervals and relevant disclosure in the interim report and in this report. In the opinion of the board, the Company complied with the principles and the code provisions of the CG Code in all respects throughout the year save for the deviations described below.

The Company has deviated from A.2.1 of the CG Code to the extent that the roles of chairman and chief executive are performed by Mr. Cheung Chung Kiu. Having considered the existing structure and composition of the board and operations of the Group in Hong Kong, the board believes that vesting the roles of both chairman and managing director in Mr. Cheung facilitates the effective implementation and execution of its business strategies by, and ensure a consistent leadership for, the Group. Further, a balance of power and authority between the board and management can be ensured by the operation of the board, whose members (including the three independent non-executive directors) are individuals of high calibre with ample experience, such that the interests of shareholders can be safeguarded. The Company will continue to review the structure and composition of the board from time to time to ensure that a balance of power and authority between the board and management is appropriately maintained for the Group.

The Company has no formal letters of appointment for directors except Mr. Wong Hy Sky setting out the key terms and conditions of their appointment, and has therefore deviated from D.1.4 of the CG Code. This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified in the Company's bye-laws, applicable laws and the Listing Rules. Shareholders are sent (at the same time as the notice of the relevant general meeting) a circular containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting, including the information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

INSIDE INFORMATION

The board is responsible for ensuring the Group's compliance with its disclosure obligations regarding inside information, and has appointed a disclosure group with specific designated duties to assist it in, among other things, overseeing and co-ordinating the disclosure of inside information. The procedures and internal controls for the handling and dissemination of inside information are given in the policy (the "PSI Policy") adopted by the Company to ensure that it is able to meet relevant obligations under Part XIVA of the Securities and Futures Ordinance (Cap. 571) (the "SFO"). The PSI Policy applies to the directors, officers and employees of the Group.

Under the PSI Policy, the Company must disclose inside information to the public by way of an announcement as soon as reasonably practicable unless the information falls within any of the safe harbours described under the SFO. Any director, officer or employee who becomes aware of a matter, development or event that he or she considers to be, or potentially to be, inside information shall report it promptly to the disclosure group. Before the relevant information is fully disclosed to the public, the disclosure group should take reasonable precautions to ensure that the information is kept strictly confidential. Where it is believed that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the information should be disclosed immediately to the public. If the disclosure group needs time to clarify the details of, and the impact arising from, an event or a set of circumstances before it is in a position to issue a full announcement to properly inform the public, the disclosure group should consider issuing a "holding announcement" which details as much ascertainable information of the subject matter as possible and sets out the reasons why a fuller announcement cannot be made. Following a holding announcement, the disclosure group should ensure that a full announcement is made as soon as reasonably practicable. In the event that confidentiality has not been maintained and it is not able to make a full announcement or a holding announcement, the disclosure group should consider applying for a suspension of trading in the Company's securities, subject to approval of the board, until disclosure can be made. All inside information related announcements must be properly approved by the board before publication, and all unpublished inside information must be kept in strict confidence until a formal announcement is made. The disclosure group must further ensure that access to unpublished inside information is given only to employees on a "need-to-know" basis for discharging their duties. Apart from reporting to the disclosure group, every director, officer or employee who possesses or has been given access to unpublished inside information must not disclose, discuss or share such information to or with any other parties within or outside the Group. The PSI Policy also sets out the criteria for advance disclosure of inside information to certain categories of people as may be necessary in the circumstances. In this case, the disclosure group should monitor the situation so that disclosure may be made as soon as reasonably practicable if there is any leakage of information.

Directors, officers and employees must refrain from dealing in the shares of the Company at any time when they are in possession of unpublished inside information. Securities dealings are governed by the securities codes applicable to directors and relevant employees (within the meaning of the CG Code), as described in the section below.

SECURITIES DEALINGS

Directors' dealings are governed by a code adopted by the Company (the "Securities Code") (of which the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules as amended from time to time (the "Model Code") forms part). Each director will be given a copy of the Securities Code at the time of his or her appointment, and a copy of any revised Securities Code thereafter in a timely manner. Directors will be notified in advance of the commencement of each period during which they are not allowed to deal in the Company's securities with reminders of their obligations under both codes.

All directors confirmed that they had complied with the required standard set out within the Model Code and the Securities Code throughout the year.

The Company has also adopted a code for relevant employees regarding securities transactions on terms no less exacting than the Model Code. Relevant employees will be notified in advance of the commencement of each period during which they are not allowed to deal in the Company's securities with reminders of their obligations under the code.

THE BOARD

Corporate governance functions, as noted above, are performed by the board which assumes responsibility for leadership and control of the Company. Directors being pillars of corporate governance act at all times honestly and exercise care, diligence and skill in the discharge of their duties. The board is collectively responsible for promoting the success of the Company and seeks to balance broader stakeholder interests and those of the Group.

Board balance

The board, which is chaired by Mr. Cheung Chung Kiu, comprises seven members. The composition of the board is shown in the corporate information section on page 1. All members served on the board throughout the year up to the date of this report.

Brief biographical details of the directors appear in the directors and senior management section on pages 7 and 8.

The Company embraces the benefits of having a diverse board and directs that the review of board composition be a collective effort of the board and the nomination committee. The appointment or re-appointment of a director shall first be considered by the nomination committee with reference to the policies adopted by the Company governing the nomination and diversity of board members. Recommendations of the nomination committee will then be put forth at the next board meeting for directors' consideration and approval.

In the opinion of the nomination committee, an appropriate level of diversity on the board was achieved, and a balanced composition of executive directors and independent non-executive directors, the latter being of sufficient calibre and number for their views to carry weight in the board's deliberations, was maintained, throughout the year. The committee has noted that none of the independent non-executive directors has any interests or relationships that could materially interfere with his independent judgment and concluded that all independent non-executive directors remain independent.

THE BOARD *(continued)*

Board balance *(continued)*

Board meetings are held regularly four times a year and additionally as needed to discharge the board duties effectively. Regularly scheduled meetings are also held by the board committees to discharge their duties effectively. Independent non-executive directors, as equal board members, give the board and its committees on which they serve the benefit of their skills, expertise and diverse backgrounds and qualifications through regular meeting attendance and active participation. They also attend general meetings and develop a balanced understanding of the views of shareholders.

Attendance at board and general meetings

Five board meetings and two general meetings were held during the year. Attendance of each director at the above meetings is shown below.

	No. of meetings attended / held			
	annual general meeting	special general meeting	regular board meeting	ad hoc board meeting
Executive Director				
Cheung Chung Kiu *(Chairman and Managing Director)*	1/1	1/1	4/4	1/1
Yuen Wing Shing	1/1	1/1	4/4	1/1
Tung Wai Lan, Iris	1/1	1/1	4/4	1/1
Wong Hy Sky	1/1	1/1	4/4	1/1
Independent Non-executive Director				
Ng Kwok Fu[1]	1/1	1/1	4/4	1/1
Luk Yu King, James[2]	1/1	1/1	4/4	1/1
Leung Yu Ming, Steven[2]	1/1	1/1	4/4	1/1

Notes:

1 Mr. Ng Kwok Fu retired by rotation at the annual general meeting in 2020 in accordance with the Company's bye-laws notwithstanding that his then term of office had not yet expired. Mr. Ng was re-elected as an independent non-executive director at the said annual general meeting for a new term commencing 18 May 2020 and ending at the close of the annual general meeting in 2023.

2 Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven were appointed for a term commencing 18 May 2020 and ending at the close of the annual general meeting in 2023.

3 Non-executive directors are subject to retirement by rotation and eligible for re-election in accordance with the Company's bye-laws and all applicable laws.

During the year, the chairman convened a meeting with the independent non-executive directors without the presence of other directors.

THE BOARD *(continued)*

The appointment of management

The board, led by the chairman, is accountable to shareholders for the overall management and performance of the Group. This requires continuing attention, the board therefore appoints management, which is made up of executive committee members, with additional members from the second line of management. In performing the role of managing director, the chairman delegates aspects of the management and administrative functions to senior executives who report directly to him on a regular basis.

Delegations to management and reserving matters for the board

The board sets the business strategy of the Group and monitors its development. It delegates other matters to management while reserving certain decisions and actions for itself and performing them effectively. There is a written statement of matters reserved for the board and those delegated to management. These arrangements are reviewed on an annual basis to ensure that they remain appropriate to the needs of the Company.

This statement recognises nine broad categories into which reserving matters for the board may fall, namely (1) board and senior management; (2) relations with the members and stakeholders; (3) financial matters; (4) business strategy; (5) capital expenditures; (6) lease or purchase of buildings; (7) major transactions not included in the budget; (8) actions or transactions involving legality or propriety; and (9) internal control and reporting systems.

The board sees to it that management is managing properly and does not exceed its remit. The statement gives clear directions as to the powers of management. These include executing the business strategies and initiatives adopted by the board, approving investments and divestments as well as managing the Group's assets and liabilities in accordance with the policies and directives of the board. Management carries out such specific duties as to prepare interim and annual accounts/reports, and to implement and monitor the Company's financial controls and systems of risk management and internal control. Management typically meets each month to review the operating and financial performance of the Group against agreed budgets and targets.

Supply of and access to information

The board and individual directors have separate and independent access to senior management at all times. The management ensures that the board and its committees receive adequate information, board papers and related materials in a timely manner to enable them to make informed decisions. All directors have access to the advice and services of the company secretary, who is responsible to the board to ensure that board procedures are being followed and that applicable rules and regulations are being complied with. Every director or board committee member can seek independent professional advice in appropriate circumstances at the Company's expense.

Directors' responsibilities

On appointment to the board, each director receives an induction package covering the latest information about the financial position of the Group as well as guidelines on directors' duties and corporate governance. In addition, all members of the board are provided with monthly updates so that they can have a balanced and understandable assessment of the Group's performance, position and prospects. New directors are welcome to visit the operating divisions to gain a proper understanding of the Group's business operations.

The mini-library maintained by the company secretarial department is open to all directors. Stocked with the Company's corporate communications and governance policies and procedures, it also collects applicable rules, ordinances, codes and acts. Directors are welcome to visit the library and borrow those materials.

THE BOARD *(continued)*

Directors' responsibilities *(continued)*

The Company recognises directors' need for continuous professional development and ensures that sufficient training opportunities are being provided to the directors from time to time to develop and refresh their knowledge and skills. During the year, the Company continued to arrange and fund suitable training for its directors; and each director received appropriate training with an emphasis on the roles, functions and duties of a listed company director.

Insurance cover

The Company has appropriate insurance cover in respect of legal action against its directors and officers. The extent of insurance cover is reviewed by management on an annual basis.

CHAIRMAN AND MANAGING DIRECTOR

Although the roles of chairman and chief executive are both performed by the same individual, in view of the existing structure and composition of the board and operations of the Group in Hong Kong, the board believes that this can facilitate the effective implementation and execution of its business strategies by, and ensure a consistent leadership for, the Group. Further, a balance of power and authority between the board and management can be ensured by the operation of the board, whose members (including the three independent non-executive directors) are individuals of high calibre with ample experience, such that the interests of shareholders can be safeguarded. The Company will continue to review the structure and composition of the board from time to time to ensure that a balance of power and authority between the board and management is appropriately maintained for the Group.

The chairman provides leadership for the board, ensuring its effectiveness in all aspects of its role. In his capacity as managing director, he provides planning and implementation with the support of management.

The chairman ensures that all directors are properly briefed on issues arising at board meetings and that all key and appropriate issues are discussed by the board in a timely manner. Board meetings for each year are scheduled in advance to give all directors an opportunity to attend, and are structured to encourage open discussion. All board members are encouraged to update their knowledge of and familiarity with the Group through active participation at board meetings.

The chairman settles the agenda for each individual board meeting, taking into account any additional items arising from current operating issues, as well as such other matters as may be raised by the other directors with him, who can include them on the agenda. The agenda and accompanying board papers are sent in full to all directors in a timely manner and, where possible, at least three days before the time appointed for the meeting.

It is also the chairman's responsibility to control board meetings, to lead discussions to clear conclusions, and to satisfy himself that the secretary of the meeting has understood each conclusion reached. The company secretary and financial controller attend the meetings and advise, where appropriate, on corporate governance and accounting and financial matters.

Minutes of board meetings and meetings of board committees are kept by a duly appointed secretary of the meeting and open for inspection by any director. Draft and final versions of minutes of board meetings are sent to all directors for their comments and records respectively.

ACCOUNTABILITY AND AUDIT

Financial reporting

The directors are responsible for preparing the accounts. The board seeks to give a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules. It also does so for reports to regulators and information disclosed under statutory requirements.

The directors are also responsible for the integrity of financial information and for ensuring its timely disclosure. Arrangements are made which will allow them to be satisfied that the accounts are true and fair, which accurately disclose the financial position of the Company and comply with statutory requirements and applicable accounting standards.

Risk management and internal control

The board is responsible for ensuring that the Group maintains appropriate and effective risk management and internal control systems (the "systems") to safeguard shareholders' investment and the Company's assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities. The Company has in place a risk management structure, comprising the board, the audit committee, the internal audit function and management. The board evaluates and determines the nature and extent of the risks that should be taken in achieving the Company's strategic objectives, and oversees management in the design, implementation and monitoring of the systems, through the audit committee and the internal audit function, and management provides a confirmation to the board on the system effectiveness.

While acknowledging responsibility for the systems and for reviewing their effectiveness, the board recognises that they are designed to assist the Company in managing, rather than eliminating, the risk of failure to achieve its business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The system review is an ongoing process, being conducted in turn by management, by the internal audit function and the audit committee, and, ultimately, by the board. Each year, the audit committee receives an internal audit report and a management report with respect to the operational aspects of internal controls over the areas of key risk identified. Any material internal control defects, and recommendations for resolving the defects, are identified and made to the board as appropriate. Based on those reports, the audit committee conducts relevant review and reports to the board, highlighting any areas where action or improvement is needed. The board reviews the effectiveness of the systems, taking into account the views and recommendations of the audit committee, and reports to shareholders by way of disclosure in this report.

ACCOUNTABILITY AND AUDIT *(continued)*

Risk management and internal control *(continued)*

Using the above process, the board scheduled a meeting in November 2020 and an additional meeting in March 2021 and reviewed the Company's compliance with the risk management and internal control code provisions during the year. The review covered all material controls, including financial, operational and compliance controls, and gave particular consideration to the items under C.2.2 and C.2.3 of the CG Code. They are: the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; the changes in the nature and extent of significant risks, and the Company's ability to respond to changes to its business and the external environment; the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and the work of its internal audit function; the extent and frequency of communication of monitoring results to the audit committee; significant control failings or weaknesses and their impacts on the Company's financial performance or condition; and the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. Nothing wrong or improper with respect to any of the foregoing items was noted on both occasions.

The Company's process for identifying, evaluating, and managing significant risks, as well as the main features of the systems, are described in the sub-section headed *"Risk management process"* below. In addition, the Company has adopted procedures and internal controls governing the handling and dissemination of inside information, as described in the inside information section on page 10.

The risk management process and the procedures and internal controls for the handling and dissemination of inside information were in place throughout the year up to the date of this report.

Risk management process

The board acknowledges that its risk assessment process provides a reliable basis for determining appropriate risk responses. The business operation of the Group exposes the Group to various risks. The board is responsible for identifying and assessing risks so that appropriate risk management policies and strategies can be defined to deal with the risks identified. Management seeks to have risk management features embedded in our business operations as well as in functional areas such as property investment, property development and trading, property management, treasury, legal and finance.

The risk management process includes the establishment of risk context (strategic, organisational and operational), the identification of risk factors, the analysis and evaluation of risk levels and the related impacts on the business performance of the Group, prioritisation of risk factors, selection and implementation as well as evaluation of the control mechanisms/activities which contribute to mitigating the risk of business disruptions or non-compliance with applicable rules and regulations. The management is delegated to perform risk assessment by reviewing and updating the risk profiles. The scope of risk review of the Group includes strategic, compliance, operations and financial risks, which are further divided into various risk categories, risk titles and descriptions. Since the risk profile may vary and may be valid for only a certain period of time, the management is responsible for monitoring any risk changes as well as the effectiveness of the related control mechanisms and/or control activities by conducting reviews on the overall risk profile on an as-needed basis but at least once a year.

The board, together with the audit committee and the internal audit function, regularly assesses the effectiveness of the systems established and maintained by management, and ensures that management has performed its duty to have effective systems.

BOARD COMMITTEES

The board is supported in its decisions by the four principal committees described below. The terms of reference of all except the executive committee are available on the website of the Company.

The executive committee

In directing and supervising the Company's affairs, the board is supported by an executive committee whose membership is exclusive to executive directors. There are four executive directors in office, as shown in the corporate information section on page 1. All members served on the committee throughout the year up to the date of this report.

The executive committee is vested with the powers of the directors by the Company's bye-laws or that are otherwise expressly conferred upon it, as defined by its terms of reference.

The remuneration committee

The remuneration committee, which is chaired by Mr. Leung Yu Ming, Steven, comprises three members, as shown in the corporate information section on page 1. All members served on the committee throughout the year up to the date of this report.

This committee supports the board in determining the remuneration packages of individual executive directors and senior management. It further assists the board in making recommendations on the Company's remuneration policy and structure for all directors and senior management, in reviewing and approving the management's remuneration proposals as well as in making recommendations on the remuneration of non-executive directors.

The remuneration committee met once during the year with perfect attendance.

	No. of meetings attended/held
Leung Yu Ming, Steven *(Chairman)*	1/1
Cheung Chung Kiu	1/1
Ng Kwok Fu	1/1

The Group's remuneration approach seeks to attract, motivate and retain the executive talent that is essential for the implementation of its business strategy towards sustained and long-term returns for shareholders. Its remuneration structure comprises fixed and variable components, including salaries, discretionary bonuses, pension scheme contributions and share options.

The emoluments received by every executive director and senior executive are determined with reference to individual and company performance, industry specific remuneration benchmarks and prevailing market conditions, subject to annual assessment.

The remuneration committee recommends non-executive director fees annually, based on market practices, time commitment and level of responsibility. These recommendations are then put to a meeting of the board for approval.

BOARD COMMITTEES *(continued)*

The remuneration committee *(continued)*

During the year, the remuneration committee reviewed and approved the management's remuneration proposals. It also reviewed, among other matters, directors' fees and remuneration policy and structure. The committee fixed the remuneration packages of individual executive directors, focusing on salary levels in comparator companies and role, responsibility and performance of the individual executive director so as to align management incentives with shareholders' interests.

The committee is confident that the remuneration policy, which was applied in the year under review and is expected to be applied in future years and beyond, supports the Company's goals and objectives. In the opinion of the committee, the executive remuneration levels for the year were in line with the market.

Details of the directors' remuneration for the year are set out in note 8 to the financial statements on pages 100 and 101.

The nomination committee

The nomination committee, which is chaired by Mr. Cheung Chung Kiu, comprises three members, as shown in the corporate information section on page 1. All members served on the committee throughout the year up to the date of this report.

This committee supports the board in formulating and implementing the policy for the nomination of directors; in assessing the independence of independent non-executive directors and in advising on directors' appointment or re-appointment and the management of board succession. Its primary role is to recruit, screen and recommend board candidates for election by shareholders to ensure that the right mix of talent, skills and experience, as well as diversity on the board, is retained.

The nomination committee met once during the year with perfect attendance.

	No. of meetings attended/held
Cheung Chung Kiu *(Chairman)*	1/1
Ng Kwok Fu	1/1
Leung Yu Ming, Steven	1/1

The following policy has been adopted by the nomination committee to assist it in fulfilling its duties and responsibilities as provided in its terms of reference. The policy may be amended from time to time by the committee as provided therein.

Recommended candidates

The committee shall consider any and all candidates recommended as nominees for directors to it by any directors or shareholders; provided that in the case of shareholder recommendations, such recommendations comply with all applicable notice requirements set forth in the Company's bye-laws, the procedures for a shareholder's nomination to be properly brought before a general meeting, and the Listing Rules. The committee may also consider, in its sole discretion, any and all candidates recommended as nominees for directors to it by any source.

BOARD COMMITTEES *(continued)*

The nomination committee *(continued)*

Desired qualifications, qualities and skills

The committee shall endeavour to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment, to provide the commitment to enhancing shareholder value, practical insights and diverse perspectives. Candidates will also be assessed in the context of the then-current composition of the board, the operating requirements of the Company and the long-term interests of all shareholders. In conducting this assessment, the committee will, in connection with its assessment and recommendation of director candidates, consider diversity (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience and skills) and such other factors as it deems appropriate given the then-current and anticipated future needs of the board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the board. The committee may also consider such other factors as it may deem are in the best interests of the Company and its shareholders. The above diversity perspectives, taking into account the Company's business model and needs, are set out in a board diversity policy which has been established by the Company to see that diversity on the board can be achieved.

Independence

The committee shall ensure that at least one-third of the board members (or such other number of the members of the board as prescribed by the Listing Rules from time to time) meet the definition of independent non-executive director. The committee shall annually assess each nominee for independent non-executive director by reviewing any potential conflicts of interest that he or she and their immediate family members (as defined in the Listing Rules) may have, based on the criteria for independence set forth in Rule 3.13 of the Listing Rules. A retiring independent non-executive director who has served the board for a period of nine consecutive years or more is eligible for nomination by the board to stand for re-election at a general meeting provided that he or she is still considered independent by the board.

Nominee evaluation process

The committee will consider as a candidate any director who has indicated his or her willingness to stand for re-election and any other person who is recommended by any shareholders. The committee may also undertake its own search process for candidates and may retain the services of professional firms or other third parties to assist in identifying and evaluating potential nominees. The committee may use any process it deems appropriate for the purpose of evaluating candidates which is consistent with those set forth in its terms of reference, the Company's bye-laws, the corporate governance policy and the policy described herein; provided that the process used for evaluating a nominee for each election or appointment of directors shall be substantially similar and under no circumstances shall the committee evaluate nominees recommended by a shareholder pursuant to a process that is substantially different than that used for other nominees for the same election or appointment of directors.

BOARD COMMITTEES *(continued)*

The nomination committee *(continued)*

Nomination procedures

1. The secretary of the committee shall call a meeting of the committee, and invite nominations of candidates from board members, if any, for consideration by the committee prior to its meeting. The committee may also put forward candidates who are not nominated by board members.

2. For filling a casual vacancy, the committee shall make recommendations for the board's consideration and approval. For proposing candidates to stand for election at a general meeting, the committee shall make nominations to the board for its consideration and recommendation.

3. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the board to stand for election at the general meeting.

4. In order to provide information of the candidates nominated by the board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), and any other information, as required pursuant to applicable laws, rules and regulations, of the proposed candidates.

5. A shareholder can serve a notice to the board of directors or the company secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a director in accordance with the relevant procedures posted on the Company's website. The particulars of the candidates so proposed will be provided to all shareholders for information by way of announcement and/or supplementary circular.

6. A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the board of directors or the company secretary.

7. The board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

8. Shareholder proposed resolutions shall take the same form as the resolutions proposed for the candidates recommended by the board.

During the year, the nomination committee reviewed the board composition and independence of independent non-executive directors, and considered the suitability of those retiring directors standing for re-election at the next annual general meeting as well as the need for a director succession plan. The committee also reviewed the nomination policy and the board diversity policy and discussed the objectives set for implementing the latter policy, and noted that those objectives had been achieved. The committee concluded that the board composition should continue unchanged.

BOARD COMMITTEES *(continued)*

The audit committee

The audit committee, which was chaired by Mr. Luk Yu King, James, comprised three members, as shown in the corporate information section on page 1. All members served on the committee throughout the year up to the date of this report.

This committee acts as the key representative body for overseeing the Company's relations with the external auditor. It supports the board in monitoring the Company's financial information and whistleblowing procedures for employees, and oversees the Group's financial reporting system, risk management and internal control systems.

Meetings of the audit committee are held at least biannually with the external auditor, Ernst & Young, and triannually with management.

The audit committee met three times during the year with perfect attendance.

	No. of meetings attended/held
Luk Yu King, James *(Chairman)*	3/3
Ng Kwok Fu	3/3
Leung Yu Ming, Steven	3/3

During the year, the audit committee approved the remuneration and terms of engagement of Ernst & Young, and considered their suitability for re-appointment. It examined Ernst & Young's independence and objectivity, having regard to any non-audit services, and the effectiveness of the audit process. The committee was satisfied that Ernst & Young had demonstrated the independence and objectivity required for external auditors and that the audit process had been effective. Ernst & Young were remunerated a total of HK$6.62 million for services rendered to the Group, of which HK$2.28 million were audit fees for the Group's annual audit, HK$3.12 million were audit fees for other audit services in connection with the Group's business acquisitions, and HK$1.22 million were fees for non-audit services, being agreed-upon procedures on interim financial information, tax compliance services and other professional services. The provision of such non-audit services did not, in the opinion of the committee, compromise their independence. The committee also reviewed the Company's financial statements and half-yearly and annual results, and discharged its other duties under the CG Code, including reviewing the risk management and internal control systems, the effectiveness of the internal audit function as well as the non-audit services policy and whistleblowing procedures.

BOARD COMMITTEES *(continued)*

The audit committee *(continued)*

As disclosed in the risk management and internal control section on pages 15 and 16, the audit committee plays a vital role in monitoring the Group's risk management and internal control systems. This was done through regular meetings of the committee with Ernst & Young and with the internal audit function (whether or not in the presence of management) during the year, in which the committee engaged discussions on the risk areas identified, and reviewed any key findings related to risk assessment as well as arising from the internal and external audit.

In the opinion of management, adequate risk management and internal control systems had been in place and maintained properly throughout the year to ensure the effectiveness and efficiency of operations; to safeguard assets against unauthorised use and disposition; to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements; to allow proactive management of the relevant risks identified; to allow fair and independent investigation of possible improprieties in financial reporting, internal control or other matters and appropriate follow-up action; and to ensure compliance with relevant legislation and regulations. Management was of the further views that there had been no changes, since the last annual review, in the nature and extent of significant risks; that the Company was able to respond to changes to its business and the external environment and its processes for financial reporting and Listing Rule compliance were effective; that the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting function were adequate. For the year under review, no significant control failings or weaknesses were identified and there revealed no significant areas of improvement or modification which were required to be brought to the attention of the audit committee.

The audit committee concurred with the above findings, and was satisfied that management had performed its duty to have effective systems. The committee further noted that there was no conflict between internal audit and external audit, and the internal audit function was still adequately resourced and effective and had appropriate standing within the Company, during the year. Recommendations were made to the board on the re-appointment of Ernst & Young as the external auditor of the Company for the ensuing year and on the submission of the 2020 annual accounts for shareholder approval at the forthcoming annual general meeting.

COMMUNICATION WITH SHAREHOLDERS

The board has established a shareholders' communication policy, which sets out the Company's approach to maintain an on-going dialogue with its shareholders and potential investors. The policy is reviewed annually to ensure its effectiveness.

SHAREHOLDERS' RIGHTS

An annual general meeting shall be held in every year. General meetings which are not annual general meetings are known as special general meetings as referred to in the procedures described below. These procedures are subject to the bye-laws of the Company, the Bermuda Companies Act 1981 and applicable legislation and regulations.

Convening a special general meeting

1. Shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid-up capital of the Company carrying the right to vote at general meetings of the Company shall at all times have the right to require a special general meeting to be called by the board for the transaction of any business specified in such requisition by written requisition.

2. A requisition referred to above must state the purposes of such meeting, and must be signed by the requisitionist(s) and deposited at the Company's registered office in Bermuda, and may consist of several documents in like form, each signed by one or more requisitionist(s). To ensure that the requisition is received by the Company at the earliest opportunity, the requisitionist(s) is/are urged to deposit also a copy of the signed requisition at the Company's principal place of business in Hong Kong (for the attention of the board of directors or the company secretary).

3. If the directors do not within twenty-one (21) days from the date of the deposit of the requisition proceed duly to convene a special general meeting to be held within two (2) months after the deposit of the requisition, the requisitionist(s), or any of them representing more than one-half (1/2) of the total voting rights of all of them, may themselves convene a meeting and be repaid by the Company for any reasonable expenses incurred by reason of the failure of the directors duly to convene a meeting as aforesaid provided that any meeting so convened by the requisitionist(s) shall not be held after the expiration of three (3) months from the said date.

4. Other than an adjourned meeting, pursuant to the bye-laws of the Company and the Listing Rules,

    (1) a special general meeting called for the passing of a special resolution shall be called by at least twenty-one (21) clear days and not less than ten (10) clear business days written notice. All other special general meetings may be called by at least fourteen (14) clear days and not less than ten (10) clear business days written notice.

    (2) any special general meeting may be called by shorter notice than that specified in subsection (1) if it is so agreed by a majority in number of the shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the shares giving that right.

SHAREHOLDERS' RIGHTS *(continued)*

Putting forward proposals at general meetings

1. In addition to the right to requisition a special general meeting, shareholders have also the right to request circulation of resolutions which may properly be moved at an annual general meeting. Any number of shareholders representing not less than one-twentieth (1/20) of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meetings; or not less than one hundred (100) shareholders, shall (unless otherwise resolved by the Company) at their own expense have the right by written requisition: (a) to require notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting to be given to shareholders; and/or (b) to request for circulation to shareholders any statement of not more than one thousand (1000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

2. A requisition referred to above must be signed by the requisitionist(s) in a single document or in separate copies prepared for the purpose. A copy of the signed requisition, accompanied by a sum reasonably sufficient to meet the Company's expenses, must be deposited at the Company's registered office in Bermuda: (a) in the case of a requisition requiring notice of a resolution, not less than six (6) weeks before the annual general meeting unless an annual general meeting is called for a date six (6) weeks or less after the copy has been deposited, in which case the copy shall be deemed to have been properly deposited though not deposited within the time required; and (b) in the case of any other requisition, not less than one (1) week before the general meeting. To ensure that the requisition is received by the Company at the earliest opportunity, the requisitionist(s) is/are urged to deposit also a copy of the signed requisition at the Company's principal place of business in Hong Kong (for the attention of the board of directors or the company secretary).

3. A shareholder who wishes to propose a person (other than a retiring director and any person recommended by the directors for election) for election as a director at a general meeting must give notice in writing of such intent and notice in writing by that person and accompanying personal information, being information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, must also be given to the Company at its principal place of business in Hong Kong (for the attention of the board of directors or the company secretary) not earlier than the day after the dispatch of the notice of the general meeting appointed for such election and not later than seven (7) days prior to the date of such meeting. The first notice must be signed by the shareholder concerned and the second notice, indicating willingness to be elected and consent to publication of his or her personal information, must be signed by that person being proposed for election.

   Note: In order to give shareholders sufficient time to consider the election of the proposed person as a director without adjourning the meeting, the shareholder making the proposal is urged to submit or procure the submission of the required notices and information as early as practicable, preferably not later than fourteen (14) business days before the date of the relevant general meeting.

SHAREHOLDERS' RIGHTS *(continued)*

Putting forward proposals at general meetings *(continued)*

Shareholders may at any time send enquiries to the board via the Company's principal place of business in Hong Kong or via investors@ytrealtygroup.com.hk. The company secretarial or investor relations personnel will, where appropriate, forward the relevant enquiries to the board or the board committee(s). For enquiries concerning shareholdings and related matters, they should call or visit the Company's branch registrar and transfer office in Hong Kong.

INVESTOR RELATIONS

No significant changes to the Company's constitutional documents were made during the year.

COMPANY SECRETARY

The company secretary, Mr. Albert T. da Rosa, Jr., is a partner of Cheung Tong & Rosa Solicitors, a legal adviser to the Company as to Hong Kong laws. Mr. da Rosa was appointed the company secretary on 28 September 2000. Although Mr. da Rosa is not an employee of the Company, he reports to the chairman and advises the board on governance matters. The Company has assigned Mr. Vong Veng Kei, financial controller, as its primary corporate contact person whom Mr. da Rosa can contact. Mr. da Rosa received no less than 15 hours of relevant professional training for the year.

CONCLUSION

In the opinion of the board, good governance was maintained throughout the accounting period covered by the annual report. The Company shall keep its governance practices under review to ensure that they are in step with the latest developments.

We are pleased to present our annual report on environmental, social and governance ("ESG") matters. This report has been prepared in compliance with Rule 13.91 of the Main Board Listing Rules published by The Stock Exchange of Hong Kong Limited, and gives information required to be disclosed pursuant to the Environmental, Social and Governance Reporting Guide in Appendix 27 to the said Rules.

This report provides an update of the environmental and social performances of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2020 and covers the Group's operations in Hong Kong. There is no significant change in the scope of this report from that of last report.

ESG STRATEGY AND REPORTING

The board has overall responsibility for our ESG strategy and reporting, including evaluating and determining ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. To this end, the managing director has appointed senior executives to identify relevant ESG issues and assess their materiality to our business as well as to our stakeholders, through regular review and internal discussions. Management has provided a confirmation to the board on the effectiveness of those systems for the reporting year.

Our ESG approach begins with good principles and practices across all our operations. We aim to reconcile our commercial objectives of realising long-term shareholder value and business sustainability with long-term imperatives of sustainable growth, social prosperity and social well-being. The Group has adopted a comprehensive policy which outlines the policies that were designed to fulfil its obligations with respect to sustainable development and corporate social responsibility. The said policy guides our business and operational decisions to take into account our responsibility to the focus areas which reflect the Group's business nature: workplace, operating practices, community and environment. We strive to integrate our contribution to society into our business by minimising potential environmental impact; providing a safe and healthy work environment to employees; supporting community initiatives; seeking to promote awareness of corporate social responsibility in the business; providing staff training as well as monitoring and improving our ESG performance.

A. ENVIRONMENTAL

Our commitment to sustainable development is well reflected in our continuous efforts in promoting awareness among our various stakeholders to minimise the environmental impact of our business activities. We uphold the 3Rs principle of "Reduce, Recycle and Reuse". This began with green office practices, for which the Human Resources Practice Guide and Employee Handbook provide specific guidelines. The guidelines highlight three broad areas into which those practices may fall, namely energy conservation, waste reduction and the handling of wastes. They include: (1) in terms of energy conservation, energy saving, water saving and fuel saving procedures; (2) in terms of waste reduction, waste saving procedures; and (3) in terms of the handling of wastes, procedures for waste collection and records.

We have long been leasing an office space in China Resources Building in Hong Kong, an office building managed by China Resources Property Limited ("CR Property", a strong advocate of environmental protection and winner of the yearly HK Green Awards in the category of "Green Management Award – Service Provider (Large Corporation)" organised by the Hong Kong Green Council consecutively since 2013). CR Property – China Resources Building has also received a Wastewi$e Certificate in "Excellence Level" from the Environmental Campaign Committee in recognition of its effort on waste reduction. As tenant of the building, we endeavour to participate in and complement CR Property's efforts in supporting green initiatives, along with the environmental measures that have been introduced in our offices and workplaces to facilitate managers to reduce carbon emissions and improve energy use efficiency. During the year, we continued to support the building's annual recycling programme with a view to building an environmental responsible culture with our landlord. As a result, we are able to improve the workplace; provide a happy, healthy and comfortable work environment for our employees while satisfying stakeholders' expectation; and continue to contribute to the environment, thereby leading to a multi-win situation.

So far as is known to the directors, all workplaces of the Group were operated and maintained in safe and reliable conditions throughout the year.

A. ENVIRONMENTAL *(continued)*

Major variations of KPIs

During the reporting year, (i) the energy consumption from electricity sources (*A2.1*) decreased by 5.9% from 5802 kWh in 2019 to 5462 kWh in 2020; (ii) the greenhouse gas ("GHG") emissions generated from purchased electricity (*A1.2*, Scope 2) decreased by 4.7% from 4.64 tonnes in 2019 to 4.42 tonnes in 2020; and (iii) the GHG emissions generated from paper waste disposed at landfills (*A1.2*, Scope 3) decreased by 8.3% from 7.44 tonnes in 2019 to 6.82 tonnes in 2020. The reductions were a result of the shift to working from home in response to the outbreak of COVID-19 and of our continual efforts in energy and paper saving.

A1: Emissions

Policies and compliance

- ✓ Comply with all applicable emissions laws and regulations.
- ✓ Adopt measures to reduce air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
- ✓ Promote the use of recyclable materials, minimise the use of paper and dispose of wastes in a socially responsible manner.
- ✓ Give due consideration to carbon emissions issues in decision-making processes, and actively seek to reduce, whenever practicable, the impact of our operations on the environment.
- ✓ Identify and appropriately manage marked environmental impacts arising from carbon emissions.
- ✓ Help mitigate the direct and indirect environmental impacts of our properties in Hong Kong arising from carbon emissions.
- ✓ Encourage the use of eco-friendly products and services and keep on improving our emissions management practices.
- ✓ Promote awareness amongst staff, customers and business partners to manage environmental and social risks and support community activities in relation to environmental protection and sustainability.

During the year, there was no violation of any emissions laws and regulations that had a significant impact on the Group known to the directors relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

KPI		2019	2020
A1.1 emission types and respective data	Emissions data from gaseous fuel consumption	N/A	N/A
	Emissions data from vehicles	N/A	N/A

A. ENVIRONMENTAL *(continued)*

KPI		2019		2020	
		Emission	Intensity	Emission	Intensity
A1.2 GHG emissions	Scope 1 – Direct emissions or removals from sources	0 tonnes		0 tonnes	
	(Scope 1) total:	0 tonnes (0%)	0 tonnes/ employee	0 tonnes (0%)	0 tonnes/ employee
	Scope 2 – Energy indirect emissions				
	• from the generation of purchased electricity	4.64 tonnes		4.42 tonnes	
	(Scope 2) total:	4.64 tonnes (38.22%)	0.93 tonnes/ employee	4.42 tonnes (39.12%)	0.44 tonnes/ employee
	Scope 3 – Other indirect emissions				
	• from paper waste disposed at landfills	7.44 tonnes		6.82 tonnes	
	• from electricity used for processing fresh water and sewage by government departments	0.06 tonnes		0.06 tonnes	
	(Scope 3) total:	7.50 tonnes (61.78%)	1.50 tonnes/ employee	6.88 tonnes (60.88%)	0.69 tonnes/ employee
	(Scope 1 + Scope 2 + Scope 3) Total GHG emissions:	12.14 tonnes	2.43 tonnes/ employee	11.30 tonnes	1.13 tonnes/ employee
KPI		Annual hazardous waste	Intensity	Annual hazardous waste	Intensity
A1.3 hazardous waste	Total hazardous waste produced:	0 tonnes	0 tonnes/ employee	0 tonnes	0 tonnes/ employee
KPI		Annual non-hazardous waste	Intensity	Annual non-hazardous waste	Intensity
A1.4 non-hazardous waste	Total non-hazardous waste produced:	0.98 tonnes	0.20 tonnes/ employee	0.93 tonnes	0.09 tonnes/ employee

A. ENVIRONMENTAL *(continued)*

KPI	
A1.5 emission mitigation	1. Fuel Saving • Encourage staff to use public transport when performing out-of-office duties. 2. Air-conditioning Economy • Maintain the indoor temperature between 23-25 degrees Celsius (+/-1°C) as optimal temperature settings for our offices throughout the year, and adjust the temperature settings only when needed. • Cut off air-conditioning supply after non-office hours. Do not apply for extended air-conditioning supply except in genuinely required circumstances. • Keep doors closed between air-conditioned and non-air-conditioned spaces to prevent wastage of cooling power. • Dress lightly in the hot summer months and where possible, open windows for better air circulation to minimise the use of air-conditioning. 3. Electricity Saving • Set up light zoning and smart lighting. • Use window blinds or curtains to effectively reduce direct sunlight penetration. Make good use of natural light to minimise the energy consumed by electric lights. • Replace malfunctioning lights with energy saving LED lights. 4. Paper Saving and Recycling • Communicate and share information by electronic means (e.g. via intranet, internet or email) as far as possible to minimise paper use. • Use both sides of paper and reuse envelopes. • Provide recycling bins near places where paper consumption is high (such as copiers and fax machines). • Separate waste paper into single-sided and used papers. • Avoid putting food-soiled paper or non-recyclable paper (such as carbon paper and paper with plastic components) or paper carrying confidential information relating to the Group into the waste paper recycling bins. 5. Business Travel Efficiency • Properly plan the car and air routes for business travel (if any) and the commuting routes for mail delivery/collection to help reduce GHG emissions. • Use telephone/video conferencing for online presentations and meetings to substitute unnecessary overseas business trips. 6. Others • Place green plants in appropriate office areas. • Encourage staff to keep green plants.

A. ENVIRONMENTAL *(continued)*

KPI	
A1.6 hazardous and non-hazardous waste handling and reduction	Handling of Wastes 1. Hazardous Waste • Not applicable 2. Non-hazardous Waste • Discharge effluent to the city's sewer collection and treatment system. • Establish facilities for paper recycling by placing appropriate bins at convenient locations in the workplace. • Encourage staff to participate in recycling of general solid waste and paper by using the above facilities. 3. Computers & Peripherals • Collect and reuse old computers (which would unlikely increase energy consumption) and peripherals. • Collect used toner cartridges for picking up by appropriate recycling contractors. 4. Collection and Records • Dispose of office refuse in appropriate containers for regular collection by collectors to prevent odour. • Maintain records of waste disposed of and waste recycled. • Arrange pest control and ventilation system and carpet cleaning on a regular basis.

A. ENVIRONMENTAL *(continued)*

KPI	
A1.6 hazardous and non-hazardous waste handling and reduction	Reduction of Wastes 1. Paper Saving • Use computerised office equipment (such as high-speed scanners, digital senders and fax servers) to reduce paper use. • Make use of "Digital Photo System" to store photo archives where appropriate. • Make use of the internet for press and photo release. • Send files through e-mail, USB, disk or CD-Rom to reduce the production of hard copies. • Place scrap paper trays next to printers to encourage reuse of paper that is only printed on one side. • Purchase printing paper and paper towels with recycled content. • Circulate internal documents instead of making photocopies. • Adjust the margin, use smaller fonts and decrease line space for documents that must be printed to optimise the use of paper. • Avoid unnecessary cover pages (e.g. fax covering sheets). • Reduce the use of envelopes and where appropriate, make use of circular service to distribute promotional materials. 2. Stationery Saving • Encourage reuse of binding rings, ropes, envelopes, folders, etc. • Remind staff to follow the "first-in, first-out" principle when using stationery. • Use green stationery such as refillable ball pens and mechanical pencils where applicable. • Print less to save ink or toner. 3. Utensils Saving • Reuse tableware, cutlery, cups and glasses to reduce the use of disposable eating utensils. • Serve drinks with teapots and cups/glasses instead of bottled water at meetings to reduce plastic wastage.

A. ENVIRONMENTAL *(continued)*

A2: Use of Resources

Policies

- ✓ Conserve resources, including energy, water and other raw materials, in an efficient manner whenever practicable.
- ✓ Introduce energy saving and water saving guidelines for staff to follow.
- ✓ Give due consideration to issues arising from energy and/or water consumption in decision-making processes, and actively seek to reduce, whenever practicable, the impact of our operations on natural resources.
- ✓ Identify and appropriately manage marked environmental impacts arising from the use of natural resources.
- ✓ Help mitigate the direct and indirect environmental impacts of our properties in Hong Kong arising from energy consumption.
- ✓ Encourage the use of eco-friendly products and services and keep on improving our natural resources management practices.
- ✓ Improve energy use and water efficiency by strengthening initiatives and strategies which are essential for the Group's sustainable growth.

		2019		2020	
KPI	Source of energy consumption	Energy consumed	Intensity	Energy consumed	Intensity
A2.1 energy consumption	Electricity	5802 kWh	1160.40 kWh/ employee	5462 kWh	546.20 kWh/ employee
	Stationary combustion	0 kWh	0 kWh/ employee	0 kWh	0 kWh/ employee
	Mobile combustion	0 kWh	0 kWh/ employee	0 kWh	0 kWh/ employee
	Total energy consumed:	5802 kWh	1160.40 kWh/ employee	5462 kWh	546.20 kWh/ employee
KPI		Water consumed	Intensity	Water consumed	Intensity
A2.2 water consumption	Annual water consumed:	89.20 m^3	17.84 m^3/ employee	91.20 m^3	9.12 m^3/ employee

A. ENVIRONMENTAL *(continued)*

<table>
<tr><th>KPI</th><th></th></tr>
<tr><td>A2.3
energy use efficiency</td><td>1. Energy Saving
• Purchase electrical appliances and office equipment with energy efficient labels. Where applicable, consider solar and other renewable energy options.
• Use energy-saving features and options for electrical appliances and office equipment, such as adopting the “sleep/standby mode” when the computer is idle.
• Create consolidated servers and share use of the same server, as appropriate, to reduce energy consumption.
• Switch off unneeded lights, electrical appliances and office equipment (such as printers, copiers, shredders, computers and monitors) when not in use. Whenever practicable, turn them off completely during non-operating hours.
• Serve reminders by affixing conspicuous “save energy” labels near the power switches of printing equipment and information & communications technology equipment, and designate staff to monitor the situation periodically.
• Carry out regular checking and cleaning of office equipment. Where necessary, arrange for maintenance and procure timely replacement of deteriorated/aged parts to reduce power loss due to equipment malfunction and component failure.
• Switch off all unnecessary power supply before leaving the office, and remind the staff remaining in the office to do so.
• Encourage the use of stairs instead of elevators for inter-floor traffic.
• Encourage staff participation in energy saving campaigns.

2. Fuel Saving and Business Travel Efficiency
(as per the mitigating measures disclosed under KPI A1.5 on page 30)</td></tr>
</table>

A. ENVIRONMENTAL *(continued)*

KPI	
A2.4 *water sourcing and water use efficiency*	1. Issues in Sourcing Water • None 2. Water Saving • Serve reminders by affixing conspicuous "save water" and "protect our natural environment" labels near water taps. • Turn off the water taps after use in areas (such as the pantry) where self-closing faucets are not available. Shut off the main water supply to the area concerned after office hours, and designate staff to monitor the situation periodically. • Notify the responsible personnel of any leaking water taps or pipes for repair to avoid wastage of water. • Use dual-flush toilets. • Use faucets and urinals with infrared sensors where possible. • Appoint staff to inspect the water supply system to ensure no leakage on a regular basis.

	2019		2020	
KPI	Total packaging material used	Intensity	Total packaging material used	Intensity
A2.5 *packaging material for finished products*	N/A	N/A	N/A	N/A

A. ENVIRONMENTAL *(continued)*

A3: The Environment and Natural Resources	
Policies	
✓ Adopt measures, whenever practicable, to minimise the possible significant impacts of our activities on the environment and natural resources. ✓ Instil a green office culture and enlist staff support to maintain a "Green Workplace", by taking simple steps or procedures during daily operation to implement the "Go Green" strategies.	
KPI	
A3.1 significant impacts of activities on the environment and natural resources and specific actions	We promote environmental awareness and cultural change among our employees so as to complement other elements of good practice as part of an integrated approach to our environmental management in the Group. To the extent permissible, we organise in-house seminars and company events as well as staff gatherings where energy saving and other eco-friendly tips are shared, and a deeper understanding of the impact that our activities may have on the environment and natural resources is gained. During the year, there were negligible impacts of the Group's activities on the environment and natural resources. The Group will review its environmental practices and adopt policies and/or measures specific to managing its significant impacts as and when necessary.

B. SOCIAL

The Group recognises that employees are a valuable asset of the organisation and it is essential to attract and motivate good talent while balancing the interests of other stakeholders. Apart from a safe and healthy workplace, we offer a comprehensive remuneration and benefits package to our employees, training opportunities, equal opportunities and fairness at work for all as well as channels for staff communication. Teamwork activities and/or staff social functions are arranged to enhance employees' sense of belonging and to help create a friendly and harmonious work environment. Salaries are reviewed and adjusted on a yearly basis, and from time to time, to ensure balancing pay for performance with shareholder alignment. The Group recognises the importance of a sound, healthy stakeholder relationship in building its long-term success. To this end, the senior management maintains good communication and, where appropriate, exchanges ideas with the stakeholders.

B.1 Employment

We strive to attract and retain talent and to reconcile economical imperatives with human well-being, with an aim to promoting satisfaction, loyalty and commitment. The Group has adopted a Human Resources Practice Guide and Staff Handbook to govern, among others, the recruitment, promotion, discipline, working hours, leaves and other duties and benefits of employees. The level of employees' remuneration is reviewed and adjusted annually on a performance basis with reference to the market standard. In addition, a wide range of staff benefits, including medical insurance, retirement schemes, training subsidies and paid leaves, are provided; and social, recreational activities are arranged for employees to strike a work-life balance while fostering cohesion and team spirit among them. The Group respects cultural and individual diversity. We believe that no one should receive less favourable treatment on the grounds of age, race, ethnicity or nationality, gender, religion, marital status, disability or family status. At our workplace, opportunities for employment, training and career development are equally open to all staff members.

The Group was not aware of any violation of employment laws and regulations that had a significant impact on it relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the year.

B.2 Health and Safety

We are committed to providing and maintaining a safe, healthy, and hygienic work environment. To this end, health and safety measures are in place and given prime consideration; employees are required to stringently abide by all safety rules and regulations and adhere to those measures at all times to avoid accidents and protect themselves and co-workers from safety hazards. Employees at all levels are accountable for the delivery of the safety initiatives described in the Employee Handbook. Potential hazards are identified and addressed by relevant personnel. So far as is known to the directors, all offices of the Group were operated and maintained in safe and reliable conditions throughout the year. We will review relevant procedures from time to time to safeguard employees' occupational health and safety.

The Group was not aware of any violation of health and safety laws and regulations that had a significant impact on it relating to providing a safe work environment and protecting employees from occupational hazards during the year.

B. SOCIAL *(continued)*

B.3 Development and Training

We acknowledge the importance of training not just to staff development, but also to our success as a whole. Where possible, the Group offers customised and general training to its staff members, through organised or sponsored training programmes, seminars, workshops and conferences, regular sharing sessions, peer learning and on-the-job coaching, as appropriate, to help equip employees with the knowledge and skills that help enable them to perform their job effectively and efficiently and to assist them in developing the required character, knowledge and skills that help advance their career. We believe this combined effort is essential to achieving personal and corporate goals of our employees and the Company respectively.

B.4 Labour Standards

We strive to treat everyone equally at work and to ensure that no employees are disadvantaged and expectations of equality are always met in the workplace. All employment with the Group is voluntary and any child or forced labour in any of our operations and services is strictly prohibited. We also avoid engaging vendors of administrative supplies and services and contractors that are known to employ child or forced labour in their operations. Employment decisions are subject to a fair and equal selection process, based on the candidate's suitability in terms of qualifications, personality and career goals.

The Group was not aware of any violation of labour standards laws and regulations that had a significant impact on it relating to preventing child and forced labour during the year.

B.5 Supply Chain Management

We recognise the importance of supply chain management to our business, and focus our efforts in areas along the supply chain where we believe they can add value to our operations. The Group is committed to ensuring that fair operating practices are in place in all aspects of its sourcing, procurement and supply process.

B.6 Product Responsibility

We are committed to adapting our operating practices to fully embrace the concept of sustainable development. To avoid and reduce the environmental impacts caused by our products and services, the Group ensures that appropriate measures and clear procedures are in place and are being followed by relevant personnel with respect to health and safety, advertising, labelling and privacy matters. Statutory requirements are strictly adhered to and employees are required to retain in confidence any and all information obtained in connection with their employment, including but not limited to trade secrets, client personal data and information, supplier information and other proprietary information.

The Group was not aware of any violation of product responsibility laws and regulations that had a significant impact on it relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the year.

B. SOCIAL *(continued)*

B.7 Anti-corruption

We aim to set and maintain a high standard of business integrity throughout our operations. The Group prohibits all forms of bribery, extortion, fraudulent, money laundering and corruption activities in connection with any of its business activities. All directors and employees are required to strictly comply with the code of conduct prohibiting bribery, extortion, fraud, money laundering and corruption. The Company has further adopted whistleblowing procedures for employees to raise concerns, in confidence, about possible improprieties in any matters related to the Group. These arrangements are reviewed on a regular basis by the audit committee and reported back to the board. Any reported case of fraudulence will receive immediate, fair and independent, investigation and appropriate follow-up action.

The Group was not aware of any violation of anti-corruption laws and regulations that had a significant impact on it relating to bribery, extortion, fraud and money laundering during the year.

B.8 Community Investment

We strive to promote social development and progress by contributing to education, charity, sports, and arts and culture. The Group is dedicated towards raising awareness of social responsibility among its staff. We encourage employees to better serve the community, through volunteer work, donations and participation in charity sport/fund-raising events. We will strive to expand our efforts in charity work to cater to the needs of our community as well as to create a more favourable environment for our community and our business.

The Group will review its practices and consider implementing further eco-friendly measures and practices, as appropriate, to improve the quality of life, promote energy conservation and enhance the environment, while minimising fuel consumption, air pollution and GHG emissions. We shall continue with our dedicated efforts in taking these initiatives forward.

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND GROUP PERFORMANCE

During the year, the Company continued to be an investment holding company. The principal activities of its subsidiaries included property investment, property development and trading, the provision of property management and related services, treasury management and investment holding. Details of those activities are set out in note 1 to the financial statements. Over 80% of the Group's revenue for the year was derived from its property development and trading business in Mainland China. An analysis of the Group's performance for the year by operating segments is set out in note 4 to the financial statements.

BUSINESS REVIEW

This business review is made pursuant to paragraph 28(2)(d) of Appendix 16 to the Main Board Listing Rules (the "Listing Rules") published by The Stock Exchange of Hong Kong Limited (the "Exchange"), pursuant to which further analysis of and discussion on the above principal activities of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") are made. In the opinion of the directors, the Chairman's Statement and Management Discussion and Analysis section provides a comprehensive review of the performance of the Group for the year ended 31 December 2020 as well as its future prospects.

Principal risks and uncertainties

The directors recognise that the Group's performance and prospects are dependent on economic conditions and market performance of the property market in which the Group has its business operations. The Group monitors business risks associated with the external factors affecting the Group and takes prompt actions to minimise potential business impact. In addition, the directors are aware that the Group is exposed to various financial risks in its business operations. An analysis of the Group's financial risk management is provided in note 40 to the consolidated financial statements.

Environmental policies and performance

The Company has in place a corporate social responsibility policy (the "CSR Policy") applicable to itself and to its subsidiaries. The CSR Policy outlines the policies that were designed to fulfil our obligations with respect to sustainable development and corporate social responsibility. Our commitment to sustainable development is well reflected in our continuous efforts in promoting awareness among our various stakeholders to minimise the environmental impact of our business activities. We uphold the 3Rs principle of "Reduce, Recycle and Reuse". This began with green office practices, for which the Human Resources Practice Guide and Employee Handbook provide specific guidelines. The guidelines highlight three broad areas into which those practices may fall, namely energy conservation, waste reduction and the handling of wastes. They include: (1) in terms of energy conservation, energy saving, water saving and fuel saving procedures; (2) in terms of waste reduction, waste saving procedures; and (3) in terms of the handling of wastes, procedures for waste collection and records.

BUSINESS REVIEW *(continued)*

Environmental policies and performance *(continued)*

We have long been leasing an office space in China Resources Building in Hong Kong, an office building managed by China Resources Property Limited ("CR Property", a strong advocate of environmental protection and winner of the yearly HK Green Awards in the category of "Green Management Award – Service Provider (Large Corporation)" organised by the Hong Kong Green Council consecutively since 2013). CR Property – China Resources Building has also received a Wastewi$e Certificate in "Excellence Level" from the Environmental Campaign Committee in recognition of its effort on waste reduction. As tenant of the building, we endeavour to participate in and complement CR Property's efforts in supporting green initiatives, along with the environmental measures that have been introduced in our offices and workplaces to facilitate managers to reduce carbon emissions and improve energy use efficiency. During the year, we continued to support the building's annual recycling programme with a view to building an environmental responsible culture with our landlord. As a result, we are able to improve the workplace; provide a happy, healthy and comfortable work environment for our employees while satisfying stakeholders' expectation; and continue to contribute to the environment, thereby leading to a multi-win situation.

So far as is known to the directors, all workplaces of the Group were operated and maintained in safe and reliable conditions throughout the year.

We will review our environmental practices and consider implementing further eco-friendly measures and practices, as appropriate, to improve our performance.

Compliance with relevant laws and regulations

During the year, there were no areas of material non-compliance with applicable laws and regulations that had a significant impact on the Company known to the directors, including but not limited to the Bermuda Companies Act 1981, the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

Key relationships with employees, customers and suppliers and others

The Group recognises the importance of a sound, healthy stakeholder relationship in building its long-term success. To this end, the senior management maintains good communication and, where appropriate, exchanges ideas with the stakeholders.

During the year, there were no material and significant disputes between the Company or any of its subsidiaries and their respective employees, customers and suppliers, shareholders or business partners known to the directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year and the financial position of the Group at that date are set out in the consolidated statement of profit or loss and consolidated statement of financial position on pages 55, 57 and 58 respectively.

The directors do not recommend the payment of a final dividend in respect of the year (2019: HK1 cent per share).

DIVIDEND POLICY

The Company aims to provide a steady return to shareholders and at the same time to maintain a strong balance sheet for investment opportunities and sustainable development in the future. Dividends proposed or declared, or not recommended, is subject to financial performance, cash flow and future investment opportunities of the Group.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

PRINCIPAL PROPERTIES

Particulars of the principal properties held by the Group are set out on pages 143 and 144.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 1 to the financial statements.

SHARE CAPITAL

Movements in the share capital of the Company during the year are set out in note 29 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 59 and 60 and note 30 to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981, amounted to HK$1,408.8 million (2019: HK$1,500.4 million), none of which has been proposed as final dividend for the year (2019: HK$8.0 million). In addition, the Company's share premium account in the amount of HK$95.7 million (2019: HK$95.7 million) may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, there was no charitable contribution made by the Group (2019: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 145. This summary does not form part of the audited financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and revenue for the year attributable to the Group's major suppliers and customers, respectively, are as follows:

	2020	2019
	%	*%*
Purchases		
– the largest supplier	**30**	30
– the five largest suppliers combined	**93**	65
Revenue		
– the largest customer	**8**	51
– the five largest customers combined	**15**	93

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in those major suppliers and customers.

DIRECTORS

The directors serving for the year up to the date of this report are listed on page 1.

Mr. Cheung Chung Kiu, Mr. Yuen Wing Shing and Ms. Tung Wai Lan, Iris retire from office by rotation at the forthcoming annual general meeting in accordance with bye-law 87 of the bye-laws of the Company. The above retiring directors, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each individual independent non-executive director an annual confirmation of his independence and still considers them to be independent.

DIRECTORS' INFORMATION / SIGNIFICANT COMMITMENTS

Mr. Yuen Wing Shing ceased to be a non-executive director of, and was elected as a Shareholder Supervisor of the seventh session of the Supervisory Board of, Shengjing Bank Co., Ltd. with effect from 20 October 2020.

Save as disclosed in this annual report, the Company has not been advised by its directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to shareholders nor in any of their significant commitments for the purposes of A.6.6 of the Corporate Governance Code set out within Appendix 14 to the Listing Rules.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement nor contract of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' emoluments and those of the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

The register kept by the Company under section 352 of the SFO shows the following directors' interests and long positions in shares and/or in debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2020:

Interests in the Company

Name of director	Capacity	No. of shares held	Total no. of shares held	Approximate % of interest
Cheung Chung Kiu	Interest of controlled corporation	136,736,150	136,736,150	17.10%
Ng Kwok Fu	Beneficial owner	50,000		
	Interest of spouse	40,000	90,000	0.01%
Wong Hy Sky	Interest of controlled corporation	79,772,000	79,772,000	9.98%

Notes:

1 Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 136,736,150 shares in the Company by virtue of his indirect control of First Rose Global Limited ("First Rose") which owned those shares. First Rose was a wholly owned subsidiary of Windsor Dynasty Limited ("Windsor Dynasty"), a company wholly owned by Mr. C.K. Cheung.

2 Mr. Wong Hy Sky ("Mr. H.S. Wong") was deemed to be interested in 79,772,000 shares in the Company by virtue of his indirect control of Hong Kong Petrochemical Industrial Group Limited ("HK Petrochemical") which owned those shares. HK Petrochemical was a wholly owned subsidiary of Ever Lead Developments Limited ("Ever Lead"), and Ever Lead was in turn a wholly owned subsidiary of Joybeam Global Limited ("Joybeam Global", a company wholly owned by Mr. H.S. Wong).

Save as disclosed herein, as at 31 December 2020, there were no other interests or short positions in shares and underlying shares and in debentures, of the Company, or of any of its associated corporations, recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the Code for Securities Transactions by Directors adopted by the Company.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are as follows:

Share option scheme

The share option scheme adopted by the Company on 21 May 2015 (the "Scheme") is the only share option scheme of the Company. A summary of the Scheme is given below. Other principal terms of the Scheme are given in the circular to shareholders dated 17 April 2015 (the "Scheme Circular").

(1)	Purpose	:	To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits, to the participants and to serve such other purposes as the board may approve from time to time
(2)	Participants	:	Any director (or any person proposed to be appointed as such, whether executive or non-executive), officer and employee (whether full-time or part-time) of each member of the Eligible Group (as defined in the Scheme Circular); any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer and employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the board
(3)	Total number of shares available for issue (% of number of shares in issue as at 22 March 2021)	:	79,955,741 shares (10%)
(4)	Maximum entitlement of each participant	:	1% of the total number of shares in issue in any 12-month period
(5)	Period within which the shares must be taken up under an option	:	To be determined by the board at its absolute discretion as being the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option
(6)	Minimum period for which an option must be held before exercise	:	To be determined by the board from time to time
(7)	Amount payable on application or acceptance of the option	:	HK$1.00

EQUITY-LINKED AGREEMENTS *(continued)*

Share option scheme *(continued)*

(8)	Basis of determining the exercise price	:	The exercise price shall be a price solely determined by the board but shall be not less than the higher of: (a) the closing price of the shares as stated in the Exchange's daily quotations sheet on the date of grant of the option which must be a business day; (b) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and (c) the nominal value of a share on the date of grant of the option
(9)	Remaining life	:	Until 20 May 2025

No option lapsed and no option was granted, exercised or cancelled under the Scheme during the year. Nor were there any outstanding options with regard to the Scheme and any other schemes of the Company at the beginning and/or at the end of the year.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 31 December 2020, the interests and long positions of other persons (not being directors or chief executives) in shares of the Company recorded in the register kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity	No. of shares held	Approximate % of interest
Windsor Dynasty	Interest of controlled corporation	136,736,150	17.10%
First Rose	Beneficial owner	136,736,150	17.10%
Joybeam Global	Interest of controlled corporation	79,772,000	9.98%
Ever Lead	Interest of controlled corporation	79,772,000	9.98%
HK Petrochemical	Beneficial owner	79,772,000	9.98%

Note:

1 Each parcel of 136,736,150 shares represents First Rose's direct interest in the Company. Windsor Dynasty was deemed to be interested in those shares by virtue of its direct control of First Rose.

2 Each parcel of 79,772,000 shares represents HK Petrochemical's direct interest in the Company. Joybeam Global and Ever Lead were deemed to be interested in those shares by virtue of their direct or indirect control of HK Petrochemical.

OTHER PERSONS' INTERESTS AND SHORT POSITIONS *(continued)*

Apart from the above and the interests of Mr. C.K. Cheung and Mr. H.S. Wong already disclosed on page 44, there were no other interests or short positions in shares and underlying shares of the Company recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as at 31 December 2020.

RETIREMENT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme which covers 100% of the Group's employees. Particulars of the retirement scheme are set out in note 2.4 (y) to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares in the Company during the year.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Bermuda Companies Act 1981 or in the bye-laws of the Company.

INDEMNITY OF DIRECTORS

Permitted indemnity provisions (within the meaning of section 469 of the Companies Ordinance) for the benefit of the directors of the Company are currently in force and were in force throughout the year.

EXTERNAL AUDITOR

The financial statements for the year have been audited by Ernst & Young, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as the external auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Cheung Chung Kiu
Chairman and Managing Director

Hong Kong, 22 March 2021

To the shareholders of Y. T. Realty Group Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Y. T. Realty Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 142, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter

Valuations of investment properties

The Group holds a portfolio of investment properties which are situated in the United Kingdom, Hong Kong and Mainland China for rental earning purposes. Such investment properties are measured at fair value at the end of each reporting period and the aggregate carrying amount of these investment properties amounted to approximately HK$1,486 million as at 31 December 2020.

Different valuation models were applied on different types of investment properties held by the Group. Significant estimation is required to determine the fair values of the investment properties, which reflect market conditions at the end of the reporting period. Management engaged external valuers to perform valuations of these investment properties at the end of the reporting period and in the absence of current prices in an active market for similar properties, the external valuers considered information from a variety of sources such as current prices of properties of a similar location/condition and estimated rental value of the relevant properties and made assumptions about the capitalisation rates.

Disclosures in relation to the estimation of the fair values of the investment properties are included in notes 2.4, 3 and 14 to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures to assess the valuations of the investment properties included the following:

- obtaining and reviewing the valuation reports prepared by the external valuers engaged by the Group;
- assessing the external valuers' qualifications, experience and expertise and considering their objectivity and independence;
- involving our internal valuation specialists to assist us to assess the valuation methodologies applied and the key assumptions and estimates adopted in the valuations;
- comparing property-related data used as inputs for the valuations with underlying documentation, such as lease agreements for completed investment properties and development plan for the investment property under construction;
- reviewing management's development plan and budget of the investment property under construction with reference to market data, signed construction contracts or quotations from suppliers; and
- assessing the adequacy of the disclosures on the valuations of the investment properties.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuations of properties under development and interests in land use rights for property development acquired through business combinations	
During the year ended 31 December 2020, the Group acquired certain property projects with properties under development and interests in land use rights for property development through business combinations (collectively the "Projects Acquisition") at an aggregate cash consideration of HK$380 million. The fair values of the properties under development and interests in land use rights for property development acquired through business combinations are significant to the Group. Significant estimations are involved in determining their initial fair values as at their respective projects acquisition dates. The Group engaged an external valuer to determine the fair values of these properties under development and interests in land use rights for property development at the respective dates of acquisitions. Disclosures in relation to the valuations of these properties are included in notes 3 and 32 to the consolidated financial statements.	Our audit procedures to assess the valuations of the properties under development and interests in land use rights for property development included the following: • obtaining and reviewing the valuation reports prepared by the external valuer engaged by the Group; • assessing the external valuer's qualifications, experience and expertise and considered its objectivity and independence; • involving our internal valuation specialists to assist us to assess the valuation methodologies applied and the key assumptions and estimates adopted in the valuations; • comparing property-related data used as inputs for the valuations with underlying documentation, such as land grant contracts/land use right certificates and development plans and budgets of the related projects; and • reviewing management's development plans and budgets with reference to market data, signed construction contracts or quotations from suppliers.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter

Recognition of revenue from sales of properties over time

Revenue from sales of properties is recognised over time when the Group's performance under sales contracts does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2020, revenue of the Group from sales of properties was approximately HK$237 million and all of which was recognised over time.

For the revenue from sales of properties recognised over time, the Group considers whether it has the enforceable right to payment, which depends on the terms of the sales contracts and the interpretation of the applicable laws governing the sales contracts. Significant judgements were involved in determining whether the Group has the right to payment for performance completed to date or not.

In addition, the Group recognises revenue from sales of properties by measuring the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the reporting period as a percentage of total estimated construction costs. Significant estimations are required in determining the accuracy of the total estimated construction costs and the progress towards complete satisfaction of the performance obligation at the reporting date.

Disclosures in relation to the recognition of revenue from sales of properties over time are included in notes 2.4, 3 and 5 to the consolidated financial statements.

Our audit procedures to assess the appropriateness of recognition of revenue from sales of properties over time included the following:

- reviewing, on a sampling basis, the key terms of the sales contracts to assess the Group's rights to payment;
- obtaining and reviewing the legal opinion, in particular, the interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment of the Group's sales contracts;
- checking, on a sampling basis, the revenue from the sales of properties recognised over time during the year to the supporting documents, including the sales contracts and the proceeds received;
- reviewing management's development plans and budgets with reference to market data, signed construction contracts or quotations from suppliers and involving our internal specialists on evaluating the key assumptions and estimates adopted in the budgets;
- checking the accuracy of the construction costs incurred up to the end of the reporting period by tracing, on a sampling basis, the costs incurred to the supporting documents; and
- checking the mathematical accuracy of the computation of cost allocation and completion progress among properties.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Cheuk Keung.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 *HK$'000*	2019 *HK$'000*
REVENUE	5		
Sales of properties		236,626	—
Rental income		45,267	45,520
Interest income		4,165	7,510
Total revenue		286,058	53,030
Costs of sales		(166,522)	(413)
		119,536	52,617
Other income and gains	5	4,152	3,021
Other expenses and losses		(15,875)	(5,120)
Selling and marketing expenses		(135,418)	—
Administrative expenses		(47,308)	(12,856)
Finance costs	7	(84,012)	(101)
Changes in fair value of investment properties		(19,011)	56,265
PROFIT/(LOSS) BEFORE TAX	6	(177,936)	93,826
Income tax credit/(expense)	10	15,471	(10,041)
PROFIT/(LOSS) FOR THE YEAR		(162,465)	83,785
Attributable to:			
Equity holders of the Company		(134,303)	83,785
Non-controlling interests		(28,162)	—
		(162,465)	83,785
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	(HK16.8 cents)	HK10.5 cents

	Note	2020 HK$'000	2019 HK$'000
PROFIT/(LOSS) FOR THE YEAR		(162,465)	83,785
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		173,262	32,342
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Change in fair value of an equity investment designated at fair value through other comprehensive income	18	(50)	100
OTHER COMPREHENSIVE INCOME FOR THE YEAR		173,212	32,442
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,747	116,227
Attributable to:			
Equity holders of the Company		35,295	116,227
Non-controlling interests		(24,548)	—
		10,747	116,227

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	68,452	2,838
Investment properties	14	1,486,044	1,299,417
Goodwill	16	279,419	—
Other intangible asset	17	9,560	8,560
Equity investment designated at fair value through other comprehensive income	18	2,270	2,320
Debt investments at amortised cost	19	—	13,744
Deferred tax assets	28	46,278	—
Deposits	22	24,922	279
Total non-current assets		1,916,945	1,327,158
CURRENT ASSETS			
Properties under development	20	8,104,321	—
Trade receivables	21	4,285	—
Other receivables, deposits and prepayments	22	295,445	1,481
Debt investments at amortised cost	19	15,162	—
Prepaid income tax		54,292	—
Restricted bank balances	23	390,384	—
Cash and cash equivalents	23	697,822	451,571
Total current assets		9,561,711	453,052
CURRENT LIABILITIES			
Trade and retention payables	24	870,653	—
Other payables and accrued expenses	25	638,343	20,747
Interest-bearing bank and other borrowings	26	30,989	—
Contract liabilities	27	3,912,996	—
Tax payable		4,115	2,440
Total current liabilities		5,457,096	23,187
NET CURRENT ASSETS		4,104,615	429,865
TOTAL ASSETS LESS CURRENT LIABILITIES		6,021,560	1,757,023

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	**459,167**	10,892
Interest-bearing bank and other borrowings	26	**3,780,892**	—
Other payables	25	**6,074**	6,831
Total non-current liabilities		**4,246,133**	17,723
Net assets		**1,775,427**	1,739,300
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	29	**79,956**	79,956
Reserves	30	**1,686,643**	1,659,344
		1,766,599	1,739,300
Non-controlling interests		**8,828**	—
Total equity		**1,775,427**	1,739,300

Cheung Chung Kiu
Director

Yuen Wing Shing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

		Attributable to equity holders of the Company										
	Notes	Issued share capital *HK$'000*	Share premium account *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000*	Contributed surplus *HK$'000*	Exchange fluctuation reserves *HK$'000*	Other reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2020		79,956	95,738	1,350	1,800	4,767	(31,975)	1,580	1,586,084	1,739,300	–	1,739,300
Loss for the year		–	–	–	–	–	–	–	(134,303)	(134,303)	(28,162)	(162,465)
Change in fair value of an equity investment designated at fair value through other comprehensive income		–	–	–	–	–	–	(50)	–	(50)	–	(50)
Exchange differences on translation of foreign operations		–	–	–	–	–	169,648	–	–	169,648	3,614	173,262
Other comprehensive income/(loss) for the year		–	–	–	–	–	169,648	(50)	–	169,598	3,614	173,212
Total comprehensive income/(loss) for the year		–	–	–	–	–	169,648	(50)	(134,303)	35,295	(24,548)	10,747
Acquisitions of subsidiaries	*32*	–	–	–	–	–	–	–	–	–	21,576	21,576
Capital contribution from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	11,800	11,800
Final 2019 dividend declared and paid	*11*	–	–	–	–	–	–	–	(7,996)	(7,996)	–	(7,996)
At 31 December 2020		79,956	95,738*	1,350*	1,800*	4,767*	137,673*	1,530*	1,443,785*	1,766,599	8,828	1,775,427

* These reserve accounts comprise the consolidated reserves of HK$1,686,643,000 (2019: HK$1,659,344,000) in the consolidated statement of financial position.

		Attributable to equity holders of the Company								
	Note	Issued share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserves HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019		79,956	95,738	1,350	1,800	4,767	(64,317)	1,480	1,510,295	1,631,069
Profit for the year		—	—	—	—	—	—	—	83,785	83,785
Change in fair value of an equity investment designated at fair value through other comprehensive income		—	—	—	—	—	—	100	—	100
Exchange differences on translation of foreign operations		—	—	—	—	—	32,342	—	—	32,342
Other comprehensive income for the year		—	—	—	—	—	32,342	100	—	32,442
Total comprehensive income for the year		—	—	—	—	—	32,342	100	83,785	116,227
Final 2018 dividend declared and paid	11	—	—	—	—	—	—	—	(7,996)	(7,996)
At 31 December 2019		79,956	95,738*	1,350*	1,800*	4,767*	(31,975)*	1,580*	1,586,084*	1,739,300

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash (used in)/generated from operations	33(a)	(1,453,213)	42,848
Interest received from debt investments at amortised cost		1,330	1,156
Interest received from time deposits		1,417	5,010
Interest paid		(230,391)	—
PRC corporate income tax paid		(1,944)	—
PRC land appreciation tax paid		(41,998)	—
Overseas profits tax paid		(3,216)	(4,947)
Net cash flows (used in)/from operating activities		(1,728,015)	44,067
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	32	100,494	—
Additions to investment properties		(153,250)	—
Purchases of items of property, plant and equipment		(18,364)	(164)
Bank interest income received		2,371	73
Net cash flows used in investing activities		(68,749)	(91)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from a non-controlling shareholder		11,800	—
New interest-bearing bank and other borrowings		6,048,044	—
Repayment of interest-bearing bank and other borrowings		(4,054,054)	—
Principal portion of lease payments		(768)	(849)
Interest paid		(7,857)	(101)
Dividends paid		(7,996)	(7,996)
Net cash flows from/(used in) financing activities		1,989,169	(8,946)
Net increase in cash and cash equivalents		192,405	35,030
Cash and cash equivalents at 1 January		451,571	415,523
Effect on foreign exchange rate changes, net		53,846	1,018
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		697,822	451,571
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	697,822	62,754
Non-pledged time deposits with original maturity of less than three months when acquired	23	—	388,817
		697,822	451,571

1 CORPORATE AND GROUP INFORMATION

Y. T. Realty Group Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 25th floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (the "Group") were involved in the following principal activities:

(a) Property investment;

(b) Property development and trading;

(c) Provision of property management and related services;

(d) Treasury management; and

(e) Investment holding.

During the year, the Group has expanded its property trading business to include property development business upon the acquisition of subsidiaries which are engaged in the property development business in the People's Republic of China ("PRC" or "Mainland China"). Other than this change, there were no significant changes in the nature of the Group's principal activities.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation and operation	Issued and fully paid ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Best View Investments Hong Kong Company Limited	British Virgin Islands; Hong Kong	US$1	—	100%	Property investment
Cypress Dynasty Limited	British Virgin Islands; United Kingdom	US$1	—	100%	Property investment
Century Well Enterprises Limited	Hong Kong	HK$1	—	100%	Corporate management service
Chengdu Runyu Property Co. Ltd. #/* (成都潤渝置業有限公司)	Mainland China	RMB100,000,000	—	100%	Property investment
Chengdu Runqi Property Co. Ltd. #/* (成都潤其置業有限公司)	Mainland China	RMB10,000,000	—	100%	Property development

1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name of company	Place of incorporation and operation	Issued and fully paid ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Chengdu Yuanrun Corporate Management Co. Ltd.#/** (成都圓潤企業管理有限公司)	Mainland China	RMB10,000,000	—	100%	Corporate management service
Grove Asset 4 S.à.r.l.	Luxembourg	GBP12,000	—	100%	Investment holding
Grand Galaxy Limited	Hong Kong	HK$1	—	100%	Treasury management
Great Giant Investment Limited ("Great Giant")	British Virgin Islands	US$50,000	—	100%	Investment holding
Mainland Sun Ltd.	British Virgin Islands; Mainland China	US$1	—	100%	Property investment
Nathan Cliff Limited	British Virgin Islands	US$1	—	100%	Treasury management
Prime Circle Global Limited ("Prime Circle")	British Virgin Islands	US$50,000	—	100%	Investment holding
Radiance Ventures Limited	British Virgin Islands	US$1	100%	—	Investment holding
Sichuan Yuanzhong Kangyangcheng Zhiye Development Co. Ltd. #/* ("Yuanzhong Kangyangcheng") (四川圓中康養城置業發展有限公司)	Mainland China	RMB30,000,000	—	67%	Property development
Sichuan Yuanzhong Rundafeng Property Development Co. Ltd. #/* ("Yuanzhong Rundafeng") (四川圓中潤達豐置業發展有限公司)	Mainland China	RMB10,000,000	—	80%	Property development and trading

1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name of company	Place of incorporation and operation	Issued and fully paid ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Sichuan Yuanzhong Runheng Zhiye Development Co. Ltd. #/* ("Yuanzhong Runheng") (四川圓中潤恒置業發展有限公司)	Mainland China	RMB10,000,000	—	67%	Property development and trading
Solent Ventures Limited	British Virgin Islands	US$1	—	100%	Investment holding
Super Gain Ventures Limited	British Virgin Islands	US$1	—	100%	Investment holding
Unique Time Investments Limited	British Virgin Islands	US$1	—	100%	Investment holding
Y. T. Group Management Limited	Hong Kong	HK$2	—	100%	Investment holding

The English names of these companies represent management's best effort to directly translate their Chinese names as no English names have been registered.

* Registered as limited liabilities companies under the PRC law

** Registered as a wholly foreign-owned enterprise under the PRC law

During the year, the Group acquired a 100% equity interest in each of Prime Circle and Great Giant. Further details of these acquisitions are included in note 32 to the financial statements.

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

2.1 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and an equity investment designated at fair value through other comprehensive income, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

Other than the amendments to HKFRS 9, HKAS 39 and HKFRS 7 which are not relevant to the preparation of the Group's financial statements, the nature and impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by lessors as a result of the pandemic during the year ended 31 December 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to *the Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The Group did not have any interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate, the London Interbank Offered Rate ("LIBOR") or various Interbank Offered Rates as at 31 December 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create output.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Business combination and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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

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

(b) Fair value measurement

The Group measures its investment properties and an equity investment designated at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Fair value measurement *(continued)*

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

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

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

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

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

(c) Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(e) Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment and depreciation *(continued)*

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

Owned assets

Leasehold improvements	Over the shorter of the lease terms and 20%
Office equipment, furniture and fixtures	15%/20%
Computer software	20%/50%
Motor vehicles	20%/25%
Computer equipment	33%/33%

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(f) Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognized in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Investment properties *(continued)*

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from interests in land use rights for property development or properties under development to investment properties, any difference between the fair value of the interest in land use rights or the property at the date of change in use and its then carrying amount is recognised in the statement of profit or loss.

(g) Golf club membership

Golf club membership acquired is measured on initial recognition at cost and its useful life is assessed to be indefinite.

Golf club membership is tested for impairment annually and not amortised. Its useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(h) Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives as detailed in note 2.4 (e) above.

If ownership of the leased asset is transferred to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leases *(continued)*

Group as a lessee (continued)

(a) Right-of-use assets *(continued)*

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in other payables and accrued expenses.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leases *(continued)*

Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

(i) Properties under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Net realisable value takes into account the Group's expected proceeds derived from the properties under development, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of the properties, based on prevailing market conditions. Any excess of cost over the net realisable value of individual items of properties under development is recognised as an expense in profit or loss.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to properties held for sale.

When the right-of-use assets relate to interests in leasehold land held as properties under development, they are initially included in the properties under development and subsequently measured at the lower of cost and net realisable value.

(j) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost of properties held for sale is determined by an apportionment of total land and construction costs attributable to the unsold properties. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Investments and other financial assets *(continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

(l) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of financial assets *(continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

(n) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and retention payables, other payables and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Financial liabilities *(continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

(o) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

(p) Offsetting of financial instruments

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

(q) Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Provisions

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

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

(s) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered

(t) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(a) Sale of properties

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

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

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of each reporting period as a percentage of total estimated construction costs for each contract.

For sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

Revenue from other sources

(a) Rental income is recognised on a time proportion basis over the lease terms.

(b) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimate future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

(u) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

(w) Contract costs

Costs to fulfil a contract

Other than the costs which are capitalised as properties under development and property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset related. Other contract costs are expensed as incurred.

Costs of obtaining a contract

Costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer it would not have incurred if the contract had not been obtained e.g., commission to sales agents. Costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. The costs of obtaining a contract are charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other costs of obtaining a contract are expensed when incurred.

(x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Employee benefits *(continued)*

Pension scheme

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Pension Scheme.

(z) Dividends

Final dividend is recognised as a liability when it is approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(aa) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Foreign currencies *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group makes estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Determining the timing of satisfaction of contracts related to sales of properties

Revenue from sales of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of the sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements, based on legal counsel opinion, to classify sales contracts into those with the enforceable right to payment and those without the enforceable right.

Estimation uncertainty

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

Valuations of investment properties

The fair values of the Group's investment properties, including completed investment properties and investment properties under construction, are determined by independent professionally qualified valuers on an open market, existing use basis. In making the judgement on the determination of the fair values, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate capitalisation rates. The valuations of the investment properties under construction are based on the residual approach, and have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group's latest development plan. Relevant estimates are regularly compared to actual market data. More details are given in note 14 to the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Valuations of properties under development and interests in land use rights for property development acquired through business combinations

Interests in land use rights for property development and properties under development acquired through business combinations were evaluated at fair value at the date of acquisition based on the appraised market value provided by an independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date. The valuations of land use rights for property development were based on sales comparison approach by reference to comparable market transactions and adjusted for differences on location and physical attributes such as saleable area and the outstanding land premium. The valuations of properties under development acquired through business combinations were based on the residual approach, and have further taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group's latest development plan.

Revenue recognition over time

For those sales contracts with enforceable right to payment, the Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the reporting period as a percentage of total estimated construction costs for each property unit in the contract. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognised.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use or the fair value less costs of disposal of the cash-generating units to which the goodwill is allocated. Estimating the value in use or the fair value less costs of disposal requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was HK$279,419,000 (2019: Nil). Further details are given in note 16 to the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Allocation and recognition of development costs on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

PRC Corporate income tax ("CIT")

The Group is subject to CIT in the PRC. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its business activities and has four reportable operating segments as follows:

(a) The property investment segment invests in properties for rental income and potential capital appreciation;

(b) The property development and trading segment comprises the development and trading of properties;

(c) The treasury management segment which invests in debt securities and time deposits for earning interest income; and

(d) The property management and related services segment comprises the provision of property management and related technical consultancy services.

During the year, the Group has expanded its property trading business to include property development business upon the acquisition of subsidiaries which are engaged in the property development business in Mainland China. Accordingly, the property trading segment is renamed as the property development and trading segment and the performance and results of the property development business are included in the property development and trading segment for management reporting purposes. Comparative figures have been restated to conform to the current year's presentation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss. The adjusted profit/loss is measured consistently with the Group's profit/loss except that general finance costs, unallocated other income and gains, corporate and other unallocated expenses and losses and head office income tax expense/credit are excluded from this measurement.

Segment assets exclude property, plant and equipment related to head office, an equity investment designated at fair value through other comprehensive income, other intangible asset and certain cash and bank balances under cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude certain interest-bearing bank and other borrowings, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4 OPERATING SEGMENT INFORMATION *(continued)*

	Property investment *HK$'000*	Property development and trading *HK$'000*	Treasury management *HK$'000*	Property management and related services *HK$'000*	Consolidated *HK$'000*
2020					
Segment revenue *(note 5)*	45,267	236,626	4,165	—	286,058
Segment results	4,745	(77,624)	4,086	—	(68,793)
Specific finance costs	—	(76,155)	—	—	(76,155)
General finance costs					(7,857)
Unallocated other income and gains					1,000
Corporate and other unallocated expenses and losses					(26,131)
Loss before tax					(177,936)
Income tax credit	2,825	12,646	—	—	15,471
Loss for the year					(162,465)

	Property investment *HK$'000*	Property development and trading *HK$'000*	Treasury management *HK$'000*	Property management and related services *HK$'000*	Corporate and others *HK$'000*	Consolidated *HK$'000*
Assets and liabilities						
Total assets	1,546,034	9,876,194	15,162	—	41,266	11,478,656
Total liabilities	22,768	9,635,230	54	—	45,177	9,703,229
Other segment information:						
Capital expenditure*	153,250	398,337	—	—	27	551,614
Depreciation	—	2,589	—	—	1,081	3,670
Fair value losses on investment properties	19,011	—	—	—	—	19,011
Reversal of impairment loss on other intangible asset	—	—	—	—	1,000	1,000

* Capital expenditure consists of additions of property, plant and equipment and investment properties, including assets from the acquisitions of subsidiaries.

4 OPERATING SEGMENT INFORMATION *(continued)*

	Property investment *HK$'000* *(Restated)*	Property development and trading *HK$'000*	Treasury management *HK$'000*	Property management and related services *HK$'000*	Consolidated *HK$'000* *(Restated)*
2019					
Segment revenue *(note 5)*	45,520	—	7,510	—	53,030
Segment results	95,546	—	7,439	—	102,985
General finance costs					(101)
Corporate and other unallocated expenses and losses					(9,058)
Profit before tax					93,826
Income tax expense	(10,041)	—	—	—	(10,041)
Profit for the year					83,785

	Property investment *HK$'000* *(Restated)*	Property development and trading *HK$'000*	Treasury management *HK$'000*	Property management and related services *HK$'000*	Corporate and others *HK$'000* *(Restated)*	Consolidated *HK$'000*
Assets and liabilities						
Total assets	1,344,884	—	402,994	—	32,332	1,780,210
Total liabilities	27,796	—	45	—	13,069	40,910
Other segment information:						
Capital expenditure	—	—	—	—	164	164
Depreciation	—	—	—	—	1,084	1,084
Fair value gains on investment properties	56,265	—	—	—	—	56,265
Impairment loss on other intangible asset	—	—	—	—	5,120	5,120

4 OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
United Kingdom	**45,027**	45,280
Hong Kong	**4,405**	7,750
Mainland China	**236,626**	—
	286,058	53,030

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

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
United Kingdom	**1,264,701**	1,264,617
Hong Kong	**24,623**	24,677
Mainland China	**579,073**	21,800
	1,868,397	1,311,094

The non-current assets information above is based on the locations of assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from customers which individually accounted for 10% or more of the total revenue of the Group is as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A under the property investment segment	**N/A***	23,153
Customer B under the property investment segment	**N/A***	9,182

* Less than 10% of total revenue.

5 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Revenue from contracts with customers		
Sales of properties	236,626	—
Revenue from other sources		
Rental income from investment property operating leases:		
Fixed lease payments	45,267	45,520
Interest income from debt investments at amortised cost	2,748	2,500
Interest income from time deposits	1,417	5,010
	4,165	7,510
	286,058	53,030
Other income and gains		
Bank interest income	2,371	73
Foreign exchange gains, net	—	2,948
Reversal of impairment loss on other intangible asset	1,000	—
Others	781	—
	4,152	3,021

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2020

	Property development and trading *HK$'000*
Type of goods	
Sales of properties	236,626
Timing of revenue recognition	
Goods transferred over time	236,626

None of the revenue from sales of properties recognised for the year ended 31 December 2020 was included in contract liabilities at the beginning of the reporting period nor related to the performance obligations satisfied in prior years.

5 REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations

Sales of properties

For property sales contracts for which the control of the property is transferred over time, the performance obligation is satisfied over time by reference to the construction costs incurred up to the end of the reporting period as a percentage of total estimated construction costs for each contract. The payment is generally due on the contract inception date.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020	2019
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	346,934	—
After one year	4,516,023	—
	4,862,957	—

The remaining performance obligations expected to be recognised in more than one year relate to sales of properties that are to be satisfied within three years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

6 PROFIT/(LOSS) BEFORE TAX

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

	2020 HK$'000	2019 HK$'000
Gross rental income	(45,267)	(45,520)
Less: Outgoings	150	413
Net rental income	(45,117)	(45,107)
Cost of properties sold	166,372	—
Depreciation of owned assets *(note 13)*	2,124	241
Depreciation of right-of-use assets *(note 13)*	1,546	843
	3,670	1,084
Lease payments not included in the measurement of lease liabilities *(note 15(c))*	555	—
Auditor's remuneration	2,280	1,170
Staff costs (including executive directors' remuneration *(note 8)*):		
Wages and salaries	12,471	3,109
Discretionary bonuses	4,446	3,307
Pension scheme contributions*	248	82
	17,165	6,498
(Reversal of)/impairment loss on other intangible asset *(note 17)*	(1,000) ***	5,120 **
Foreign exchange differences, net	9,704 **	(2,948) ***

* At 31 December 2020, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2019: Nil).

** These items are included in "Other expenses and losses" in the consolidated statement of profit or loss.

*** These items are included in "Other income and gains" in the consolidated statement of profit or loss.

7 FINANCE COSTS

An analysis of finance costs is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Interest on bank and other borrowings	**202,017**	—
Interest expenses arising from revenue contracts	**216,422**	—
Interest on lease liabilities	**110**	101
Imputed interest on retention payables	**4,753**	—
Total interest expenses	**423,302**	101
Less: Interest capitalised	**(339,290)**	—
	84,012	101

8 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Fees	**1,120**	1,090
Other emoluments:		
Salaries, allowances and benefits in kind	**2,990**	635
Discretionary bonuses	**3,000**	3,000
Pension scheme contributions	**22**	9
	7,132	4,734

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8 DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees paid to the independent non-executive directors during the year were as follows:

	2020	2019
	HK$'000	*HK$'000*
Mr. Luk Yu King, James	**460**	450
Mr. Ng Kwok Fu	**330**	320
Mr. Leung Yu Ming, Steven	**330**	320
	1,120	1,090

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2020					
Mr. Cheung Chung Kiu	—	—	—	—	—
Mr. Wong HY Sky	—	**2,990**	—	**18**	**3,008**
Mr. Yuen Wing Shing	—	—	**1,500**	**2**	**1,502**
Ms. Tung Wai Lan, Iris	—	—	**1,500**	**2**	**1,502**
	—	**2,990**	**3,000**	**22**	**6,012**
2019					
Mr. Cheung Chung Kiu	—	—	—	—	—
Mr. Wong HY Sky*	—	635	—	5	640
Mr. Yuen Wing Shing	—	—	1,500	2	1,502
Ms. Tung Wai Lan, Iris	—	—	1,500	2	1,502
	—	635	3,000	9	3,644

* Appointed as an executive director of the Company with effect from 15 October 2019.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include one director (2019: three), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2019: two) non-director, highest paid employees are as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**6,192**	1,307
Discretionary bonuses	**515**	229
Pension scheme contributions	**7**	36
	6,714	1,572

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**—**	2
HK$1,500,001 to HK$2,000,000	**4**	—

10 INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current and the prior years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The United Kingdom Government announced in the financial budget on 12 March 2020 that any gain arising from sales of properties from 1 April 2020 onwards would be subject to corporation tax at a rate of 19% instead of 17%. The change in tax rate was enacted on 17 March 2020 and effective from 1 April 2020. Accordingly, the deferred tax liabilities related to the revaluation of the Group's investment properties in the United Kingdom as at 1 April 2020 were calculated using the rate of 19%.

10 INCOME TAX (CREDIT)/EXPENSE *(continued)*

	2020 *HK$'000*	2019 *HK$'000*
Current – United Kingdom		
Charge for the year	4,963	3,390
Over-provision in prior years	(72)	(173)
	4,891	3,217
Current – Mainland China		
PRC Land appreciation tax	7,126	—
	7,126	—
	12,017	3,217
Deferred *(note 28)*	(27,488)	6,824
Total tax (credit)/expense for the year	(15,471)	10,041

A reconciliation of the tax (credit)/expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax (credit)/expense at the effective tax rate is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Profit/(loss) before tax	(177,936)	93,826
Tax at the statutory tax rates of different jurisdictions	(43,818)	13,777
Effect on deferred tax of decrease in future tax rates	—	(817)
Lower tax rate enacted by local authority	43	—
Effect on opening deferred tax of increase in tax rates	646	—
Adjustments in respect of current tax of previous periods	(72)	(173)
Income not subject to tax	(21,873)	(5,586)
Expenses not deductible for tax	28,846	1,105
Tax losses not recognised	15,933	1,976
PRC LAT provided	7,126	—
Tax effect of PRC LAT deductible for PRC CIT	(1,781)	—
Unrecognised temporary difference	470	(284)
Others	(991)	43
Tax (credit)/expense at the Group's effective rate	(15,471)	10,041

11 DIVIDENDS

	2020 HK$'000	2019 HK$'000
Proposed final dividend – Nil (2019: HK1 cent) per ordinary share	—	7,996

The directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK1 cent). No interim dividend was declared in respect of the current year (2019: Nil).

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

The calculation of the basic earnings/(loss) per share amount for the year is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculation of basic and diluted earnings/(loss) per share is based on:

	2020 HK$'000	2019 HK$'000
Earnings/(loss)		
Profit/(loss) for the year attributable to ordinary equity holders of the Company	(134,303)	83,785

	Number of shares 2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year	799,557,415	799,557,415

13 PROPERTY, PLANT AND EQUIPMENT

	Owned assets						Right-of-use assets					
	Leasehold improvements *HK$'000*	Office equipment, furniture and fixtures *HK$'000*	Computer software *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*	Leasehold land *HK$'000*	Office properties *HK$'000*	Equipment *HK$'000*	Total *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
31 December 2020												
At 1 January 2020												
Cost	736	340	88	181	–	1,345	–	2,846	–	2,846	–	4,191
Accumulated depreciation	(190)	(143)	(41)	(136)	–	(510)	–	(843)	–	(843)	–	(1,353)
Net carrying amount	546	197	47	45	–	835	–	2,003	–	2,003	–	2,838
At 1 January 2020, net of accumulated depreciation	546	197	47	45	–	835	–	2,003	–	2,003	–	2,838
Additions	1,805	846	255	100	–	3,006	2,724	–	–	2,724	12,634	18,364
Acquisitions of subsidiaries (note 32)	43,136	1,683	–	–	818	45,637	–	–	2,304	2,304	–	47,941
Depreciation provided during the year	(1,864)	(143)	(29)	(35)	(53)	(2,124)	(302)	(843)	(401)	(1,546)	–	(3,670)
Exchange realignment	2,726	106	(1)	(1)	40	2,870	(1)	–	110	109	–	2,979
At 31 December 2020, net of accumulated depreciation	46,349	2,689	272	109	805	50,224	2,421	1,160	2,013	5,594	12,634	68,452
At 31 December 2020												
Cost	48,406	2,889	341	234	858	52,728	2,723	2,846	2,414	7,983	12,634	73,345
Accumulated depreciation	(2,057)	(200)	(69)	(125)	(53)	(2,504)	(302)	(1,686)	(401)	(2,389)	–	(4,893)
Net carrying amount	46,349	2,689	272	109	805	50,224	2,421	1,160	2,013	5,594	12,634	68,452

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Owned assets						Right-of-use assets					
	Leasehold improvements *HK$'000*	Office equipment, furniture and fixtures *HK$'000*	Computer software *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*	Leasehold land *HK$'000*	Office property *HK$'000*	Equipment *HK$'000*	Total *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
31 December 2019												
At 1 January 2019												
Cost	632	308	76	165	–	1,181	–	2,846	–	2,846	–	4,027
Accumulated depreciation	(44)	(106)	(25)	(94)	–	(269)	–	–	–	–	–	(269)
Net carrying amount	588	202	51	71	–	912	–	2,846	–	2,846	–	3,758
At 1 January 2019, net of accumulated depreciation	588	202	51	71	–	912	–	2,846	–	2,846	–	3,758
Additions	104	32	12	16	–	164	–	–	–	–	–	164
Depreciation provided during the year	(146)	(37)	(16)	(42)	–	(241)	–	(843)	–	(843)	–	(1,084)
At 31 December 2019, net of accumulated depreciation	546	197	47	45	–	835	–	2,003	–	2,003	–	2,838
At 31 December 2019												
Cost	736	340	88	181	–	1,345	–	2,846	–	2,846	–	4,191
Accumulated depreciation	(190)	(143)	(41)	(136)	–	(510)	–	(843)	–	(843)	–	(1,353)
Net carrying amount	546	197	47	45	–	835	–	2,003	–	2,003	–	2,838

14 INVESTMENT PROPERTIES

	Completed	Under construction	Total
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1 January 2019	1,212,690	—	1,212,690
Lease incentives	(861)	—	(861)
Fair value adjustment	56,265	—	56,265
Exchange realignment	31,323	—	31,323
Carrying amount at 31 December 2019 and 1 January 2020	**1,299,417**	—	**1,299,417**
Additions	—	**153,250**	**153,250**
Lease incentive	**(2,120)**	—	**(2,120)**
Fair value adjustment	**(39,945)**	**20,934**	**(19,011)**
Exchange realignment	**43,948**	**10,560**	**54,508**
Carrying amount at 31 December 2020	**1,301,300**	**184,744**	**1,486,044**

The Group's investment properties were revalued on 31 December 2020 and 2019 based on valuations performed by John D Wood, Savills Valuation and Professional Services Limited and Knight Frank Petty Limited, independent firms of professionally qualified valuers. Selection criteria of valuers include market knowledge, reputation, independence and whether professional standards are maintained.

The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

Further particulars of the Group's investment properties are included on page 143.

14 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
At 31 December 2020				
Recurring fair value measurement for:				
Completed investment properties	—	13,000	1,288,300	1,301,300
Investment properties under construction	—	—	184,744	184,744
	—	13,000	1,473,044	1,486,044
At 31 December 2019				
Recurring fair value measurement for:				
Completed investment properties	—	—	1,299,417	1,299,417

During the year, there were no transfers of fair value measurements between Level 1 and Level 2, and there was a transfer of fair value measurement out of Level 3 to Level 2 of HK$13,000,000 (2019: transfers of fair value measurements into Level 3 from Level 2 of HK$21,800,000).

14 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

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

	Completed commercial and residential properties *HK$'000*	Commercial properties under construction *HK$'000*	Total *HK$'000*
Carrying amount at 1 January 2019	1,190,090	—	1,190,090
Lease incentives	(861)	—	(861)
Net gain from a fair value adjustment recognised in changes in fair values of investment properties	56,265	—	56,265
Transfer from Level 2 into Level 3 *(Note (a))*	22,600	—	22,600
Exchange realignment	31,323	—	31,323
Carrying amount at 31 December 2019 and 1 January 2020	1,299,417	—	1,299,417
Additions	—	153,250	153,250
Lease incentive	(2,120)	—	(2,120)
Net loss from a fair value adjustment recognised in changes in fair value of investment properties	(39,945)	20,934	(19,011)
Transfer out of Level 3 to Level 2 *(Note (b))*	(13,000)	—	(13,000)
Exchange realignment	43,948	10,560	54,508
Carrying amount at 31 December 2020	**1,288,300**	**184,744**	**1,473,044**

Notes:

(a) The transfer from Level 2 to Level 3 is due to a lack of observable market data, resulting from a decrease in market activity for certain investment properties. The Group's policy is to recognise transfers into and transfers out of Level 3 as at the date of the event or change in circumstances that caused the transfer.

(b) The transfer out of Level 3 to Level 2 is due to more observable market data, resulting from an increase in market activity for the related investment property.

14 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties classified as Level 2 and 3 of the fair value hierarchy:

	Valuation techniques	Significant unobservable inputs	Range 2020	Range 2019
Completed				
Commercial properties - United Kingdom	Income capitalisation approach	Market yields (initial yield)	**3.5% to 4.1%**	3.4% to 4.0%
		Market rental (per square foot)	**GBP51 to GBP73 per year**	GBP51 to GBP90 per year
Commercial property - Hong Kong	Sales comparison approach	Price per square foot	**HK$24,800**	HK$24,800
Residential properties - Mainland China	Sales comparison approach	Price per square metre	**RMB47,900**	RMB46,900
Under construction				
Commercial properties - Mainland China	Residual approach	Estimated annual rental value per square metre	**RMB840**	N/A
		Capitalisation rate	**6.5%**	N/A
		Developer's profit	**15%**	N/A

14 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

In the opinion of the directors, for all investment properties that are measured at fair value, the current use of the properties is their highest and best use.

The fair value of the completed investment properties which are classified as level 2 and 3 in the fair value hierarchy is determined by using the income capitalisation approach based on capitalisation of net income with due allowance of outgoings and reversionary income potential or sales comparison approach by reference to comparable market transactions and adjusted for differences on location and physical attributes, such as saleable area and age of the building. Measurement of the fair value is positively correlated to the market rental, price per square foot and price per square metre and inversely correlated to market yields.

The fair value of the investment properties under construction is determined by using the residual approach. Residual approach is based on the expended construction costs, the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group's latest development plan, and developer's profit which represented the adjustment on future uncertainty in respect of properties under construction. Measurement of the fair value is positively correlated to the market rental and inversely correlated to capitalisation rate and the developer's profit.

15 LEASES

Group as a lessee

The Group has lease contracts for a leasehold land, an office property and an equipment used in its operations. Lump sum payments were made upfront to lease the leasehold land from the owner with a lease period of 2 years and no ongoing payments will be made under the terms of the land lease. Leases of the office property and the equipment have lease terms of four years and two years, respectively. Other office properties and equipment generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased asset outside the Group. The lease contracts do not include extension and termination options.

(a) Right-of-use asset

The carrying amount of the Group's right-of-use asset and the movements during the year are disclosed in note 13 to the financial statements.

15 LEASES *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of the Group's lease liabilities (included under other payables and accrued expenses) and the movements during the year are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Carrying amount at 1 January	1,997	2,846
Acquisitions of subsidiaries	1,038	—
Accretion of interest recognised during the year	103	101
Payments	(871)	(950)
Exchange realignment	207	—
Carrying amount at 31 December	2,474	1,997
Analysed into:		
Current portion	2,121	804
Non-current portion	353	1,193
	2,474	1,997

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

(c) The amounts recognised in profit or loss in relation to the leases are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Interest on lease liabilities	110	101
Depreciation charge of right-of-use asset (included in selling and administrative expenses)	1,546	843
Expenses related to short-term leases (included in selling and administrative expenses)	489	—
Expenses related to leases of low-value assets (included in selling and administrative expenses)	66	—
Total amount recognised in profit or loss	2,211	944

(d) The total cash outflow for the leases is disclosed in note 33(d) to the financial statements.

15 LEASES *(continued)*

Group as a lessor

The Group leases its investment properties (note 14) consisting of three commercial properties in the United Kingdom and Hong Kong under operating lease arrangements, with leases negotiated for terms ranging from three to thirty-five years.

The terms of the leases generally (i) require tenants to pay rent in advance on a quarterly basis; (ii) provide for rent reviews; (iii) grant certain lessees tenant exercisable break clauses; (iv) provide a rent-free period if each tenant exercisable break clause is not exercised; and (v) require certain tenants to pay security deposits.

Rental income recognised by the Group during the year was HK$45,267,000 (2019: HK$45,520,000), details of which are included in note 5 to the financial statements.

At 31 December 2020 and 2019, the Group had total undiscounted minimum lease payments receivable by the Group in future periods calculated on the assumption that no tenant exercisable break clause will be exercised, under non-cancellable operating leases with its tenants falling due as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**50,163**	48,486
After one year but within two years	**49,865**	48,486
After two years but within three years	**41,067**	48,192
After three years but within four years	**35,639**	39,688
After four years but within five years	**35,639**	34,442
After five years	**461,724**	480,659
	674,097	699,953

16 GOODWILL

	HK$'000
At 1 January 2019 and 31 December 2019:	
Cost	—
Accumulated impairment	—
Net carrying amount	—
Cost at 1 January 2020, net of accumulated impairment	—
Acquisition of subsidiaries *(note 32)*	259,095
Exchange realignment	20,324
Cost and net carrying amount at 31 December 2020	279,419
At 31 December 2020:	
Cost	279,419
Accumulated impairment	—
Net carrying amount	279,419

16 GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations during the year is allocated to the following cash-generating units for impairment testing under the property development and trading segment, which principally engaged in the property development in Sichuan, the PRC:

- Shigao Project cash-generating unit; and
- Huanglongxi Project cash-generating unit.

The recoverable amounts of the cash-generating units of the property development and trading segment were determined based on fair value less cost of disposal calculations using discounted cash flow projections based on financial budgets approved by senior management.

As at 31 December 2020, both property development projects acquired during the year were under construction and commenced pre-sales of part of the properties. Management estimated that the properties of both projects shall be completely sold to and handed over to the buyers within 6 years. In view of the expected tenure of the business, the financial budgets only cover a six-year period and no perpetual growth rates were applied in the calculations of fair value less cost of disposal. The pre-tax discount rate applied to the cash flow projections of both cash-generating units was 9% to 11%.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Shigao Project *HK$'000*	Huanglongxi Project *HK$'000*	Total *HK$'000*
As at 31 December 2020	166,092	113,327	279,419

Assumptions were used in the discounted cash flow projections of the above-mentioned property development cash-generating units for 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Expected changes in selling prices and development costs – The expected amounts are based on historical operating records and expectation of future changes in the market.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant units.

Business environment – There was no major change in the existing political, legal and economic conditions in the PRC in which the cash-generating units carried on their business.

17 OTHER INTANGIBLE ASSET

	Golf club membership *HK$'000*
31 December 2020	
Cost at 1 January 2020, net of accumulated impairment	**8,560**
Reversal of impairment during the year	**1,000**
As at 31 December 2020	**9,560**
As at 31 December 2020:	
Cost	**16,760**
Accumulated impairment	**(7,200)**
Net carrying amount	**9,560**
31 December 2019	
Cost at 1 January 2019, net of accumulated impairment	13,680
Impairment during the year	(5,120)
As at 31 December 2019	8,560
As at 31 December 2019:	
Cost	16,760
Accumulated impairment	(8,200)
Net carrying amount	8,560

Golf club membership is considered as having an indefinite useful life as there is no time limit for which the Group can use the membership, and therefore it will not be amortised until its useful life is determined to be finite upon reassessment annually. Accordingly, the intangible asset is tested for impairment annually and whenever there is an indication that it may be impaired.

During the year ended 31 December 2020, a reversal of impairment loss of HK$1,000,000 was recognised in other income and gains because the fair value of the golf club membership (by reference to the quoted market prices less transfer fees) is above its carrying amount and not exceeding its original cost before impairment.

During the year ended 31 December 2019, an impairment loss of HK$5,120,000 was recognised in other expenses and losses because the fair value of the golf club membership (by reference to the quoted market prices less transfer fees) fell below its carrying amount.

The fair value of the golf club membership is classified as level 1 of the fair value hierarchy.

18 EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 *HK$'000*	2019 *HK$'000*
Unlisted equity investment, at fair value	**2,270**	2,320

The above unlisted equity instrument was irrevocably designated at fair value through other comprehensive income as the Group considers the investment is made primarily for non-financial benefits. During the year ended 31 December 2020, the fair value loss recognised in other comprehensive income amounted to HK$50,000 (2019: fair value gain of HK$100,000).

19 DEBT INVESTMENTS AT AMORTISED COST

	Note	2020 *HK$'000*	2019 *HK$'000*
Listed debt investments at amortised cost	*(a)*	**15,162**	13,744
Impairment allowance		—	—
		15,162	13,744

Note:

(a) In December 2018, the Group subscribed for two senior notes at an aggregate consideration of USD1,580,000 (equivalent to HK$12,375,000) issued by the two companies ("Issuers") listed on The Stock Exchange of Hong Kong Limited. The senior notes bear interest at rates ranging from 7.875% to 8.375% per annum, payable semi-annually and will mature in 2021. The Issuers may redeem all or any part of the senior notes prior to the maturity at redemption price equivalent to the outstanding principal, accrued interest and applicable premium applicable from time to time.

The Group applies the general approach and measures impairment allowance for listed debt investments at an amount equal to 12-month expected credit losses as there were no significant increase in credit risk since initial recognition. The listed debt investments were categorised in Stage 1 as at 31 December 2020 and 2019 as they had no history of default and were not overdue. They were of investment grades on the credit rating of Moody and being listed on a recognised stock exchange. Furthermore, the remaining maturity periods of the listed debt investments are less than 1 year and there were no unfavourable current conditions and forecast of future economic conditions as at 31 December 2020. As such, the Group did not expect any investment counterparty will fail to meet its obligation and considered the listed debt investments are of low credit risk and the associated expected credit loss on these listed debt investments was minimal. Therefore, no impairment allowance was made for the listed debt investments as at 31 December 2020 (2019: Nil).

The fair value of listed debt investments at amortised cost as at 31 December 2020 was HK$15,808,000 (2019: HK$15,765,000) which was determined by reference to published prices in an active market and classified as level 1 of the fair value hierarchy.

20 PROPERTIES UNDER DEVELOPMENT

	2020 *HK$'000*	2019 *HK$'000*
Properties under development expected to be completed within normal operating cycle and classified as current assets are expected to be recovered:		
Within one year	117,970	—
After one year	7,986,351	—
	8,104,321	—

The Group's properties under development were mainly located in Mainland China and are stated at cost.

As at 31 December 2020, certain items of the Group's properties under development, including the relevant land use rights, with an aggregate carrying amount of HK$1,011,035,000 (2019: Nil) and HK$973,588,000 (2019: Nil) were pledged to secure banking facilities and other borrowing facilities granted to the Group, respectively (note 26(b)).

Included in the Group's properties under development as at 31 December 2020 were land costs with an aggregate carrying amount of HK$1,573,329,000 (2019: Nil) which the Group has not yet obtained the land use right certificates from the relevant government authorities. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the land premium and the completion of the title transfer process with relevant government authorities.

Lump sum payments were made upfront to acquire the leased land from the PRC Government with lease periods of 40 to 70 years, and no ongoing payments will be made under the terms of these land leases.

21 TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	4,285	—
Less: impairment allowance	—	—
	4,285	—

The trade receivables primarily include rental receivables which are normally billed in advance or billed in arrears and both are due on the first day of the billing period. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

An aging analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of impairment allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	1,065	—
1 to 2 months	—	—
2 to 3 months	—	—
3 to 6 months	2,767	—
6 to 12 months	453	—
	4,285	—

An impairment analysis is performed at each reporting date using a provision matrix to measure the ECLs. The ECL rates are based on the days past due for groupings of various tenants with similar credit risk characteristics. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The Group's tenants normally settle their bills on a timely manner and most of the trade receivables are fully covered by the rental deposits received by the Group. As such, management considered that the ECL rate for the Group's trade receivables are minimal and no impairment loss was recognised.

22 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	2020 *HK$'000*	2019 *HK$'000*
Prepayments		**16,094**	155
Cost of obtaining contracts	*(a)*	**242,612**	—
Deposits		**53,520**	281
Rental receivables	*(b)*	**118**	849
Others		**8,023**	475
		320,367	1,760
Impairment allowance		**—**	—
Total other receivables, deposits and prepayments		**320,367**	1,760
Less: Deposits classified as non-current assets		**(24,922)**	(279)
Portion classified as current assets		**295,445**	1,481

Notes:

(a) Cost of obtaining contracts represented the prepaid sales commission paid in connection with the sales of properties. The Group has capitalised the amounts paid and will charge them to profit or loss when the revenue from the related property sales is recognised and are included in selling and marketing expenses at that time. During the year ended 31 December 2020, sales commission of HK$6,570,000 was charged to profit or loss.

(b) Rental receivables mainly represent rental receivables collected and temporarily held by a property management company on behalf of the Group. Given the Group has not experienced any significant credit losses in the past and the property management company was restricted to use the rental receivables collected on behalf of the Group, the Group estimated that the expected credit losses related to these receivables are insignificant.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and none of the balances is either past due or impaired.

23 CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash and bank balances	**1,088,206**	62,754
Time deposits	—	388,817
	1,088,206	451,571
Less: Restricted bank balances *(notes)*	**(390,384)**	—
Cash and cash equivalents	**697,822**	451,571

Notes:

(a) Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place at designated bank accounts certain amounts of pre-sales proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fees for the relevant property projects. As at 31 December 2020, such guarantee deposits amounted to HK$145,735,000 (2019: Nil).

(b) According to the relevant loan agreement signed by a subsidiary of the Group, there are restrictions as to the use of certain unutilised proceeds from other borrowings deposited in the designated bank account of the subsidiary. As at 31 December 2020, the aggregate amount of such deposits amounted to HK$244,649,000 (2019: Nil).

As at 31 December 2020, the cash and bank balances and time deposits of the Group denominated in RMB amounted to HK$1,004,003,000 (2019: Nil). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24 TRADE AND RETENTION PAYABLES

An aging analysis of the trade payables at the end of the reporting period, based on the invoice date or the progress payment certificate date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Trade payables:		
Within 1 month	438,800	—
1 to 2 months	79,817	—
2 to 3 months	131,266	—
Over 3 months	9,211	—
	659,094	—
Retention payables	211,559	—
	870,653	—

The trade payables are non-interest-bearing. The payment terms of trade payables are stipulated in the relevant contracts with credit periods of 30 to 60 days in general. As at 31 December 2020, all retention payables were expected to be settled ranging from 1 to 5 years.

25 OTHER PAYABLES AND ACCRUED EXPENSES

	2020	2019
	HK$'000	*HK$'000*
Receipts in advance	1,548	6,035
Deposits received	5,721	5,639
Lease liabilities *(note 15)*	2,474	1,997
Value-added tax and other levies payables	245,235	2,479
Other payables	159,383	5,751
Accrued expenses	114,576	5,677
Accrued interest expenses	115,480	—
	644,417	27,578
Less: Portion classified as non-current liabilities	(6,074)	(6,831)
Portion classified as current liabilities	638,343	20,747

Other payables included in current liabilities are non-interest-bearing and repayable on demand.

26 INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2020			As at 31 December 2019		
	Contractual interest rate (%)	Maturity	*HK$'000*	Contractual interest rate (%)	Maturity	*HK$'000*
Current:						
Bank loans - secured	8%	2021	30,989	N/A	N/A	—
Non-current:						
Bank loans - secured	8%	2022-2023	278,903	N/A	N/A	—
Other borrowings - secured	12% to 12.5%	2022	3,501,989	N/A	N/A	—
			3,780,892			—
Total			3,811,881			—

	2020 *HK$'000*	2019 *HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	30,989	—
In the second year	154,946	—
In the third year	123,957	—
	309,892	—
Other borrowings repayable:		
In the second year	3,501,989	—
	3,811,881	—

26 INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) As at 31 December 2020, bank borrowings with an aggregate amount of HK$309,892,000 were secured by the pledge of 67% equity interests of a non-wholly-owned subsidiary of the Group and other borrowings with an aggregate amount of HK$3,501,989,000 (2019: Nil) were secured by the pledge of 80% and 67% of equity interests of certain non-wholly-owned subsidiaries of the Group and share charge in respect of the entire equity interests of certain wholly-owned subsidiaries of the Group.

(b) As at 31 December 2020, bank borrowings and other borrowings with an aggregate amount of HK$309,892,000 (2019: Nil) and HK$595,948,000 (2019: Nil), respectively, were secured by the Group's properties under development with an aggregate carrying amount of HK$1,011,035,000 (2019: Nil) and HK$973,588,000 (2019: Nil), respectively (note 20).

(c) As at 31 December 2020, the Group's bank borrowings of HK$309,892,000 (2019: Nil) were guaranteed by third parties.

(d) As at 31 December 2020, bank and other borrowings of HK$1,112,311,000 (2019: Nil) and HK$2,699,570,000 (2019: Nil) were denominated in Hong Kong Dollars and Renminbi, respectively.

(e) As at 31 December 2020, all bank and other borrowings bear interest at fixed interest rates.

(f) The carrying amount of bank and other borrowings of the Group approximates to their fair value.

27 CONTRACT LIABILITIES

Contract liabilities include deposits and advances received from buyers in connection with the Group's pre-sales of properties. The net increase in contract liabilities was mainly due to contract liabilities acquired through acquisition of subsidiaries and the increase in advances received from customers in relation to the pre-sales of properties during the year, partly offset by the decrease upon the recognition of revenue in the current year.

28 DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of investment properties HK$'000	Fair value adjustments arising from acquisitions of subsidiaries HK$'000	Total HK$'000
At 1 January 2019		179	4,068	—	4,247
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	(14)	6,746	—	6,732
At 31 December 2019 and at 1 January 2020		165	10,814	—	10,979
Acquisitions of subsidiaries	32	—	—	478,509	478,509
Deferred tax charged/(credited) to the statement of profit or loss during the year	10	(4)	2,713	(7,679)	(4,970)
Exchange realignment		—	260	44,067	44,327
At 31 December 2020		161	13,787	514,897	528,845

28 DEFERRED TAX *(continued)*

Deferred tax assets

	Notes	Fair value adjustments arising from acquisitions of subsidiaries *HK$'000*	Provision for LAT *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Total *HK$'000*
At 1 January 2019		—	—	179	179
Deferred tax charged to the statement of profit or loss during the year	*10*	—	—	(92)	(92)
At 31 December 2019 and at 1 January 2020		—	—	87	87
Acquisitions of subsidiaries	*32*	66,273	741	19,932	86,946
Deferred tax credited/(charged) to the statement of profit or loss during the year	*10*	(80)	1,709	20,889	22,518
Exchange realignment		3,439	82	2,884	6,405
At 31 December 2020		69,632	2,532	43,792	115,956

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 *HK$'000*	2019 *HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	(46,278)	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	459,167	10,892
	412,889	10,892

28 DEFERRED TAX *(continued)*

The Group has tax losses arising in Hong Kong of HK$37,145,000 (2019: HK$26,357,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has unutilised tax losses arising in Mainland China of HK$96,593,000 (2019: Nil) that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as they have arisen in subsidiaries that have been loss-making and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2020, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China as all the subsidiaries were loss-making during the year (2019: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29 SHARE CAPITAL

Shares

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 ordinary shares of HK$0.1 each	**150,000**	150,000
Issued and fully paid:		
799,557,415 ordinary shares	**79,956**	79,956

29 SHARE CAPITAL *(continued)*

Share options

At a special general meeting held on 21 May 2015, the Company adopted a share option scheme (the "Scheme") to replace the old scheme. Employees (including directors) of the Group are included in the eligible participants. A total of 79,955,741 shares will be available for issue under the Scheme, which represents 10% of the Company's issued shares. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. The shares must be taken up under an option not later than 10 years from the date of grant of options. The Scheme will remain effective until 20 May 2025. No share options have been granted under the Scheme during the current year and no options were outstanding at 31 December 2020 and 2019.

30 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 59 and 60 of the financial statements.

The Group's contributed surplus originally represented the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

The Group's other reserve represents the fair value reserve arising from an equity investment designated at fair value through other comprehensive income with no recycling of gains or losses to profit or loss on derecognition.

31 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2020	2019
Percentage of equity interest held by non-controlling interests:		
Yuanzhong Rundafeng	20%	—
Yuanzhong Kangyangcheng	33%	—
Yuanzhong Runheng	33%	—

	2020	2019
	HK$'000	*HK$'000*
Loss for the year allocated to non-controlling interests:		
Yuanzhong Rundafeng	(5,843)	—
Yuanzhong Kangyangcheng	(6,239)	—
Yuanzhong Runheng	(16,078)	—
Accumulated balances of non-controlling interests at reporting dates:		
Yuanzhong Rundafeng	59,734	—
Yuanzhong Kangyangcheng	(25,543)	—
Yuanzhong Runheng	(25,361)	—

31 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Yuanzhong Rundafeng *HK$'000*	Yuanzhong Kangyangcheng *HK$'000*	Yuanzhong Runheng *HK$'000*
2020			
Revenue	119,791	—	116,835
Total expenses	(149,047)	(19,084)	(167,881)
Loss for the year	(29,216)	(18,905)	(48,722)
Total comprehensive loss for the year	(37,603)	(17,439)	(49,609)
Current assets	3,827,947	729,414	2,972,178
Non-current assets	34,946	71,866	39,541
Current liabilities	(2,554,463)	(557,833)	(2,630,086)
Non-current liabilities	(1,009,759)	(320,850)	(458,483)
Net cash flows (used in)/from operating activities	(52,703)	103,672	305,093
Net cash flows used in investing activities	(7,507)	(16,855)	(10,317)
Net cash flows from/(used in) financing activities	105,654	(42,755)	(71,217)
Net increase in cash and cash equivalents	45,444	44,062	223,559

32 BUSINESS COMBINATION

In March 2020, the Group entered into an agreement in relation to the acquisition of the entire equity in Prime Circle at a cash consideration of HK$350,000,000. Prime Circle and its subsidiaries (collectively the "Prime Circle Group") are engaged in property development in the PRC. The acquisition was made as part of the Group's strategy to expand its business into the property development market in the PRC and further details of the acquisition are set out in the Company's circular dated 15 May 2020. The acquisition of the Prime Circle Group was completed in June 2020 and the Prime Circle Group became subsidiaries of the Group.

In September 2020, the Group entered into an agreement in relation to the acquisition of the entire equity in Great Giant at a cash consideration of HK$30,000,000. Great Giant and its subsidiaries (collectively the "Great Giant Group") are engaged in property development in the PRC. The acquisition was also made as part of the Group's strategy to expand its business into the property development market in the PRC and further details of the acquisition are set out in the Company's announcement dated 4 September 2020. The acquisition of the Great Giant Group was completed in September 2020 and the Great Giant Group became subsidiaries of the Group.

32 BUSINESS COMBINATION *(continued)*

The fair values of the identifiable assets and liabilities of the acquisition of the Prime Circle Group and Great Giant Group as at the dates of acquisition were as follows:

	Notes	Prime Circle Group *HK$'000*	Great Giant Group *HK$'000*	Total *HK$'000*
Property, plant and equipment	*13*	12,296	35,645	47,941
Interests in land use rights for property development*		694,062	352,393	1,046,455
Properties under development		1,277,940	1,138,312	2,416,252
Prepaid income tax		13,962	1,604	15,566
Other receivables, deposits and prepayments		126,317	75,643	201,960
Restricted bank balances		123,873	—	123,873
Cash and cash equivalents		441,398	39,096	480,494
Deferred tax assets	*28*	14,230	6,443	20,673
Deferred tax liabilities	*28*	(382,181)	(30,055)	(412,236)
Interest-bearing bank and other borrowings		(779,577)	(911,066)	(1,690,643)
Trade and retention payables		(72,892)	(74,698)	(147,590)
Contract liabilities		(1,049,974)	(609,084)	(1,659,058)
Other payables and accrued expenses		(160,586)	(140,620)	(301,206)
Total identifiable net assets/(liabilities) at fair value		258,868	(116,387)	142,481
Non-controlling interests		(59,879)	38,303	(21,576)
		198,989	(78,084)	120,905
Goodwill on acquisition		151,011	108,084	259,095
Satisfied by cash		350,000	30,000	380,000

* The balance represented prepayments for acquisitions of land use rights in Mainland China and as at the dates of acquisition, the relevant entities were in the process of obtaining the relevant land use right certificates.

32 BUSINESS COMBINATION *(continued)*

An analysis of the cash flows in respect of the acquisitions is as follows:

	Prime Circle Group *HK$'000*	Great Giant Group *HK$'000*	Total *HK$'000*
Cash consideration	(350,000)	(30,000)	(380,000)
Cash and cash equivalents acquired	441,398	39,096	480,494
Net inflow of cash and cash equivalents included in cash flows from investing activities	91,398	9,096	100,494
Transaction costs of the acquisition included in cash flows from operating activities	(3,691)	(1,535)	(5,226)
	87,707	7,561	95,268

The fair values of other receivables as at the dates of acquisition amounted to HK$2,469,000. The gross contractual amounts of other receivables were HK$2,469,000 and none of which is expected to be uncollectible.

The Group incurred an aggregate transaction costs of HK$5,226,000 for these acquisitions. These transaction costs have been expensed and are included in "administrative expenses" in the consolidated statement of profit or loss.

Since the acquisitions, the subsidiaries acquired during the year contributed HK$236,626,000 to the Group's revenue and loss of HK$128,783,000 to the consolidated loss for the year.

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been HK$381,799,000 and loss of HK$214,122,000, respectively.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) The reconciliation of profit/(loss) before tax to net cash generated from operations is as follows:

	Notes	2020 *HK$'000*	2019 *HK$'000*
Profit/(loss) before tax		(177,936)	93,826
Adjustments for:			
Finance costs	*7*	84,012	101
Interest income from debt investments at amortised cost	*5*	(2,748)	(2,500)
Interest income from time deposits	*5*	(1,417)	(5,010)
Bank interest income	*5*	(2,371)	(73)
Changes in fair value of investment properties	*14*	19,011	(56,265)
Lease incentives	*14*	2,120	861
Depreciation	*6*	3,670	1,084
(Reversal of)/impairment loss on other intangible asset	*6*	(1,000)	5,120
		(76,659)	37,144
Increase in properties under development		(3,881,611)	—
Increase in trade receivables		(4,285)	—
(Increase)/decrease in other receivables, deposits and prepayments		(116,647)	1,761
Increase in restricted bank balances		(266,511)	—
Increase in trade and retention payables		533,378	—
Increase in other payables and accrued expenses		405,793	3,943
Increase in contract liabilities		1,953,329	—
Net cash (used in)/generated from operations		(1,453,213)	42,848

(b) Major non-cash transactions

During the year, the Group had non-cash additions to properties under development, being transfers from interests in land-use-rights for property development, of HK$1,046,455,000 (2019: Nil).

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings *HK$'000*	Interest payable *HK$'000*	Dividend payable *HK$'000*	Lease liabilities *HK$'000*
2020				
At 1 January 2020	—	—	5,266	1,997
Final 2019 dividend declared	—	—	7,996	—
Changes from financing cash flows	1,993,990	(7,857)	(7,996)	(871)
Acquisitions of subsidiaries	1,690,643	133,567	—	1,038
Interest expense	—	202,017	—	103
Interest paid classified as operating cash flows	—	(222,533)	—	—
Exchange realignment	127,248	10,286	—	207
At 31 December 2020	3,811,881	115,480	5,266	2,474
2019				
At 1 January 2019	—	—	5,266	2,846
Final 2018 dividend declared	—	—	7,996	—
Changes from financing cash flows	—	—	(7,996)	(950)
Interest expense	—	—	—	101
At 31 December 2019	—	—	5,266	1,997

(d) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Within operating activities	555	—
Within investing activities	2,724	—
Within financing activities	871	950
	4,150	950

34 FINANCIAL GUARANTEES

The Group had the following financial guarantees:

	2020 *HK$'000*	2019 *HK$'000*
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	1,499,637	—

During the year, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any sales proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans. The banks are entitled to take over the legal titles and will realise the pledged properties through open auction or other appropriate means in the event of default on mortgage repayments by these purchasers.

The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers.

The fair value of the guarantees is not significant and the directors of the Company consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in these consolidated financial statements for the guarantees.

35 PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank and other borrowings are included in notes 20 and 26 to the financial statements.

36 CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2020 *HK$'000*	2019 *HK$'000*
Contracted, but not provided for:		
Capital expenditure for construction of properties under development and investment properties	2,309,323	—
Capital expenditure for construction of property, plant and equipment	23,002	—
	2,332,325	—

37 RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2020 HK$'000	2019 HK$'000
Short term employee benefits	6,575	4,220
Post-employment benefits	39	26
Total compensation paid to key management personnel	6,614	4,246

Further details of directors' emoluments are included in note 8 to the financial statements.

38 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2020 HK$'000	2019 HK$'000
Financial assets		
Equity investment designated at fair value through other comprehensive income:		
Unlisted equity investment at fair value	2,270	2,320
Financial assets at amortised cost:		
Debt investments at amortised cost	15,162	13,744
Trade receivables	4,285	—
Financial assets included in other receivables, deposits and prepayments	61,661	1,605
Restricted bank balances	390,384	—
Cash and cash equivalents	697,822	451,571
	1,169,314	466,920
	1,171,584	469,240
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and retention payables	870,653	—
Financial liabilities included in other payables and accrued expenses	167,578	13,387
Interest-bearing bank and other borrowings	3,811,881	—
	4,850,112	13,387

39 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of listed debt investments at amortised cost and an equity investment designated at fair value through other comprehensive income are based on quoted market prices.

The fair values of cash and cash equivalents, trade receivables, trade and retention payables, financial assets included in other receivables, deposits and prepayments, financial liabilities included in other payables and accrued expenses, current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of deposits, lease liabilities, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 were assessed to be insignificant.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instrument:

Asset measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2020				
Equity investment designated at fair value through other comprehensive income	**2,270**	**—**	**—**	**2,270**
At 31 December 2019				
Equity investment designated at fair value through other comprehensive income	2,320	—	—	2,320

During the year, there were no transfers into or out of Level 1 fair value measurements (2019: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 (2019: Nil).

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise cash and short term deposits and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to provide funding for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and retention payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. These risks are limited under the Group's financial risk management policies and practices as summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from business activities by operating units in currencies other than the units' functional currencies. The Group's exposure to market risk for changes in foreign currency exchange rates primarily to certain cash equivalents in a currency other than the functional currency of the Group's operating subsidiaries.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the GBP exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax.

	Increase/ (decrease) in GBP rate	Decrease/ (increase) in loss before tax
	%	*HK$'000*
2020		
If the Hong Kong dollar weakens against the GBP	**5**	**355**
If the Hong Kong dollar strengthens against the GBP	**(5)**	**(355)**

	Increase/ (decrease) in GBP rate	Increase/ (decrease) in profit before tax
	%	*HK$'000*
2019		
If the Hong Kong dollar weakens against the GBP	5	5,413
If the Hong Kong dollar strengthens against the GBP	(5)	(5,413)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

Results of the analysis as presented in above table represent the effects on profit/(loss) before tax of each of the Group entities measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those monetary assets and liabilities held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

Credit risk

The Group's credit risk is primarily attributable to debt investments at amortised cost, and trade and other receivables. Management has a credit policy in place and the exposure to this risk is monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are mainly rental related and rents are due according to the respective tenant leases. The Group obtains rental deposits from certain tenants.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the reporting period. For listed debt investments at amortised cost, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging (continued)

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2020					
Debt investments at amortised cost					
- Ba1 to B3	**15,162**	—	—	—	**15,162**
Trade receivables*	—	—	—	**4,285**	**4,285**
Financial assets included in other receivables, deposits and prepayments					
- Normal**	**61,661**	—	—	—	**61,661**
Restricted bank balances					
- Not yet past due	**390,384**	—	—	—	**390,384**
Cash and cash equivalents					
- Not yet past due	**697,822**	—	—	—	**697,822**
	1,165,029	—	—	**4,285**	**1,169,314**
At 31 December 2019					
Debt investments at amortised cost					
- Ba1 to B3	13,744	—	—	—	13,744
Financial assets included in other receivables, deposits and prepayments					
- Normal**	1,605	—	—	—	1,605
Cash and cash equivalents					
- Not yet past due	451,571	—	—	—	451,571
	466,920	—	—	—	466,920

* For trade receivables which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 21 to the financial statements.

** The credit quality of the financial assets included in other receivables, deposits and prepayments is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash.

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

	On demand *HK$'000*	Within 12 months *HK$'000*	Over 1 year to 5 years *HK$'000*	Total *HK$'000*
2020				
Lease liabilities	—	2,227	355	2,582
Interest-bearing bank and other borrowings	—	597,715	4,003,801	4,601,516
Trade and retention payables	—	719,345	203,579	922,924
Other payables	159,383	—	5,721	165,104
	159,383	1,319,287	4,213,456	5,692,126
2019				
Lease liabilities	—	871	1,226	2,097
Other payables	5,281	8,985	5,638	19,904
	5,281	9,856	6,864	22,001

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net bank and other borrowings (bank and other borrowings less restricted bank balances and cash and cash equivalents) divided by the shareholder's funds of the Company. The Group actively reviews the gearing ratio and the capital structure to ensure an optimal capital structure by taking into consideration the projected cash flows and profitability, projected capital expenditures and projected business and investment opportunities.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The gearing ratios of the Group as at 31 December 2020 and 2019 were as follows:

	2020 *HK$'000*	2019 *HK$'000*
Interest-bearing bank and other borrowings	**3,811,881**	—
Less: Restricted bank balances	**(390,384)**	—
Cash and cash equivalents	**(697,822)**	(451,571)
Net debt	**2,723,675**	(451,571)
Shareholder's funds of the Company	**1,766,599**	1,739,300
Gearing ratio	**154.2%**	N/A

41 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 *HK$'000*	2019 *HK$'000*
NON-CURRENT ASSETS		
Interests in subsidiaries	**2,682,713**	1,667,920
Other Intangible asset	**9,560**	8,560
Total non-current assets	**2,692,273**	1,676,480
CURRENT ASSETS		
Other receivables	**125**	123
Cash and bank balances	**12,469**	7,038
Total current assets	**12,594**	7,161
CURRENT LIABILITIES		
Other payables	**8,085**	7,580
NET CURRENT ASSETS/(LIABILITIES)	**4,509**	(419)
NON-CURRENT LIABILITIES		
Interest-bearing other borrowings	**1,112,311**	—
Net assets	**1,584,471**	1,676,061
EQUITY		
Issued share capital	**79,956**	79,956
Reserves *(Note)*	**1,504,515**	1,596,105
Total equity	**1,584,471**	1,676,061

41 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Attributable to equity holders of the Company			
	Share premium account *HK$'000*	Capital redemption reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2019	95,738	1,350	1,453,916	1,551,004
Profit for the year	—	—	53,097	53,097
Total comprehensive income for the year	—	—	53,097	53,097
Final 2018 dividend declared and paid	—	—	(7,996)	(7,996)
At 31 December 2019 and 1 January 2020	**95,738**	**1,350**	**1,499,017**	**1,596,105**
Loss for the year	—	—	**(83,594)**	**(83,594)**
Total comprehensive loss for the year	—	—	**(83,594)**	**(83,594)**
Final 2019 dividend declared and paid	—	—	**(7,996)**	**(7,996)**
At 31 December 2020	**95,738**	**1,350**	**1,407,427**	**1,504,515**

42 COMPARATIVE AMOUNTS

As further explained in note 4 to the consolidated financial statements, due to the changes in the designation of principal activities and segment compositions, certain comparative amounts have been re-presented to conform to the current year's presentation and disclosures.

43 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 22 March 2021.

PARTICULARS OF PROPERTIES

31 December 2020

INVESTMENT PROPERTIES IN THE UNITED KINGDOM

Location	Use	Lease expiry	Approximate floor area *Sq. ft.*	Group's interest *%*
Completed				
1 Chapel Place London W1G 0BG United Kingdom	Office	Freehold	34,180 (Net internal)	100
1 Harrow Place London E1 7DB United Kingdom	Hotel	2189	45,528 (Gross internal)	100

INVESTMENT PROPERTIES IN MAINLAND CHINA

Location	Use	Lease expiry	Approximate gross floor area	Group's interest *%*
Completed				
Certain units of Di Wang Apartment Shun Hing Square No. 333 Shennan East Road Luohu District, Shenzhen	Residential	2045	4,480 sq. ft.	100
Under construction				
Donghong Road Community Baohe Street, Chenghua District Chengdu, Sichuan Province	Commercial	2060	144,395 sq. m.	100

PROPERTIES UNDER DEVELOPMENT IN MAINLAND CHINA

Location	Use	Expected completion date	Approximate gross floor area *sq. m*	Group's interest *%*
Binjiang Wisdom City Meishan, Sichuan Province	Residential/ Commercial	2024	953,652	80
The City of Islands Meishan, Sichuan Province	Residential/ Commercial	2024	1,544,957	67
Rare Land Chengdu, Sichuan Province	Residential	2022 or after	91,436	100
A site located at Donghong Road Baohe Street Chenghua District Chengdu, Sichuan Province	Residential/ Commercial	2023	100,035	100

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Property, plant and equipment	95	170	912	2,838	**68,452**
Investment properties	1,093,054	1,216,548	1,212,690	1,299,417	**1,486,044**
Goodwill	—	—	—	—	**279,419**
Other intangible asset	—	16,760	13,680	8,560	**9,560**
Equity investment designated at fair value through other comprehensive income	—	—	2,220	2,320	**2,270**
Available-for-sale investment	1,570	1,850	—	—	—
Debt investments at amortised cost	—	—	12,400	13,744	—
Deferred tax assets	—	—	—	—	**46,278**
Deposits	—	—	279	279	**24,922**
Current assets	392,705	417,327	418,765	453,052	**9,561,711**
Current liabilities	(27,026)	(21,648)	(20,710)	(23,187)	**(5,457,096)**
Net current assets	365,679	395,679	398,055	429,865	**4,104,615**
Non-current liabilities	(3,768)	(7,462)	(9,276)	(17,723)	**(4,246,133)**
Net assets	1,456,630	1,623,545	1,630,960	1,739,300	**1,775,427**
EQUITY					
Equity attributable to equity holders of the Company					
Issued share capital	79,956	79,956	79,956	79,956	**79,956**
Reserves	1,376,674	1,543,589	1,551,004	1,659,344	**1,686,643**
	1,456,630	1,623,545	1,630,960	1,739,300	**1,766,599**
Non-controlling interests	—	—	—	—	**8,828**
Total equity	1,456,630	1,623,545	1,630,960	1,739,300	**1,775,427**
RESULTS					
Revenue	66,653	45,864	50,617	53,030	**286,058**
Profit/(loss) before tax	366,397	55,707	84,146	93,826	**(177,936)**
Income tax credit/(expense)	(10,285)	(943)	(1,837)	(10,041)	**15,471**
Profit/(loss) for the year	356,112	54,764	82,309	83,785	**(162,465)**
Attributable to:					
Equity holders of the Company	356,112	54,764	82,309	83,785	**(134,303)**
Non-controlling interests	—	—	—	—	**(28,162)**
	356,112	54,764	82,309	83,785	**(162,465)**