KADER

Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2020

(Stock Code : 180)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:
Mr. Kenneth Ting Woo-shou, *SBS, JP (Chairman and Managing Director)*
Mrs. Nancy Ting Wang Wan-sun
Mr. Ivan Ting Tien-li

Non-executive Director:
Mr. Bernie Ting Wai-cheung

Independent Non-executive Directors:
Mr. Floyd Chan Tsoi-yin
Mr. Andrew Yao Cho-fai, *JP*
Mr. Desmond Chum Kwan-yue
Ms. Sabrina Chao Sih-ming

COMPANY SECRETARY
Mr. Lao Wai-keung

AUDIT COMMITTEE
Mr. Desmond Chum Kwan-yue *(Chairman)*
Mr. Floyd Chan Tsoi-yin
Mr. Andrew Yao Cho-fai, *JP*

REMUNERATION COMMITTEE
Mr. Andrew Yao Cho-fai, *JP (Chairman)*
Mr. Kenneth Ting Woo-shou, *SBS, JP*
Mr. Floyd Chan Tsoi-yin

NOMINATION COMMITTEE
Mr. Kenneth Ting Woo-shou, *SBS, JP (Chairman)*
Mr. Floyd Chan Tsoi-yin
Mr. Desmond Chum Kwan-yue

AUTHORISED REPRESENTATIVES
Mr. Kenneth Ting Woo-shou, *SBS, JP*
Mr. Ivan Ting Tien-li

SOLICITORS
P.C. Woo & Co.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
22 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

REGISTERED OFFICE
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
East West Bank Hong Kong Branch
Hang Seng Bank Limited
The Bank of East Asia, Limited

INDEPENDENT AUDITORS
KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Kader Holdings Company Limited (the "Company"), I am pleased to present to our shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020.

The Group's revenue for the financial year ended 31 December 2020 amounted to approximately HK$372.29 million, representing a decrease of approximately 16.18% over that reported last year and the loss from operations for 2020 amounted to approximately HK$11.27 million as compared to last year's loss from operations of approximately HK$23.85 million. The Group's loss attributable to shareholders for the financial year ended 31 December 2020 was approximately HK$110.37 million, which included deficit on revaluation of investment properties amounting to approximately HK$43.06 million, as compared to last year's loss attributable to shareholders of approximately HK$14.36 million which included surplus on revaluation of investment properties of approximately HK$51.53 million.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK$Nil).

The keen competition, the outbreak and spreading of the COVID-19, and the United States and China tension have negative impacts on the performance of the Group for 2020. Faced with the challenging economy, the Group will diversify its businesses in addition to the enhancement of its existing businesses. In relation to cost control, the Group will continue to streamline the operational procedures to enhance the efficiency and implement various measures to minimize the costs. With the above measures and the experienced and dedicated management team, the Group is optimistic to deliver attractive returns to the shareholders in the future.

The Group has obtained the approval from the Government of the Hong Kong Special Administrative Region (the "HKSAR") for revitalization of Kader Building where our head office currently situates. The Group is taking the necessary measures to fulfil the requirements for revitalization and the whole processes are expected to be completed by the end of 2022. The revitalization will increase the value of Kader Building and the rental income in the future.

On behalf of the Board, I would like to take this opportunity to express my appreciation to the Board members, our experienced management team and our dedicated team of employees who devoted themselves to the Group during the past year. Their contributions are unfailing and most instrumental to the continued viability of the Group. In addition, I take this opportunity to extend our gratitude to our customers, suppliers, business partners and shareholders for their unwavering support and confidence in the Group.

Kenneth Ting Woo-shou
Chairman

Hong Kong, 30 March 2021

Management Discussion and Analysis

RESULTS

The Board announces that the Group's revenue for the financial year ended 31 December 2020 amounted to approximately HK$372.29 million, representing a decrease of approximately 16.18% over that reported last year and the loss from operations for 2020 amounted to approximately HK$11.27 million as compared to last year's loss from operations of approximately HK$23.85 million. The Group's loss attributable to equity shareholders for the financial year ended 31 December 2020 was approximately HK$110.37 million, which included deficit on revaluation of investment properties amounting to approximately HK$43.06 million, as compared to last year's loss attributable to equity shareholders of approximately HK$14.36 million which included surplus on revaluation of investment properties of approximately HK$51.53 million.

BUSINESS REVIEW

The keen competition, the outbreak and spreading of the COVID-19, and the United States and China tension have notable effects on the Group's performance for 2020. The Group believes that it will take some time for the economy to recover. To cope with the unfavourable conditions, the Group will diversify its businesses, implement various measures to increase efficiency and strengthen the cost control measures.

Toys and Model Trains

For the financial year ended 31 December 2020, the revenue was approximately HK$327.98 million, representing a decrease of approximately 18.78% as compared to last year.

The Group will continue to explore new sales opportunities and manufacture high quality products with competitive prices to sustain its business.

Property Investment

For the financial year ended 31 December 2020, the Group's rental income amounted to approximately HK$44.31 million, representing an increase of approximately 9.84% over the previous year. In addition, the Group recorded valuation losses of its investment properties of approximately HK$43.06 million for the year, as compared to last year's valuation gains of approximately HK$51.53 million.

During the year under review, the occupancy rate of its investment properties is approximately 67% (2019: approximately 73%).

RISKS AND UNCERTAINTIES

The Group's financial position and results of operations may be affected by a number of risks and uncertainties pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group:

Business Risk

Performance of the Group's core business will be affected by various factors, including but not limited to economic conditions which would not be completely mitigated even with strict operational procedures.

Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. The Group analyses its interest rate exposure on a dynamic basis and manages this risk in a cost-effective manner.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. In managing the liquidity risk, the Group monitors the cash flows and will negotiate with banks to increase the banking facilities, if necessary.

Customer Risk

The sales to one of the Group's customers represented approximately 17% of the Group's sales in 2020. The Group has endeavoured to diversify its customer base and provided quality products and services to the customers to maintain good relationship with them so as to mitigate the customer risk.

Foreign Exchange Rate Risk

Major assets, liabilities and transactions of the Group are denominated in Hong Kong dollars, United States dollars, Sterling Pounds ("GBP"), Renminbi Yuan ("RMB"), Japanese Yen ("JPY") and Euro ("EUR"). As such, the Group faces a certain degree of exchange rate risk mainly arising from GBP, RMB, JPY and EUR denominated transactions for which the exchange rate volatility is relatively high.

Management Discussion and Analysis *(Continued)*

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has established the Environmental, Health and Safety Management System and Group Environmental Policy effectively addresses and manages environmental issues during the operation. Our Environmental, Health and Safety Committee monitors the Group's overall performance in relation to environmental protection at all of our production facilities by regular inspections. We strive to minimise our impacts on the environment by building a green corporate culture, exercising clean production, improving corporate environment, and utilizing resources sustainably and efficiently.

During the period from 1 January 2020 to 31 December 2020, the Group was not aware of any material non-compliance with the applicable environmental laws and regulations that have a significant impact on the Group. For more details, please refer to the "Environmental, Social and Governance Report" section in this annual report.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has been maintaining long-term trusting relationships with its employees, customers and suppliers:

Employees:

The Group recognises employees as the most important asset to drive our business performance. To build and maintain a committed and innovative workforce, we put emphasis on safeguarding their health and safety, offering competitive remuneration, providing development opportunities and maintaining a pleasant workplace. All employees are treated in a fair and equal manner, with no discrimination on any forms of differences that are unrelated to job requirements.

Customers:

The Group is devoted in providing top quality products and delivering excellent customer experience. Guided by the Group Quality Policy, we strive to achieve the highest customer satisfaction through continuous improvement, as well as to produce quality products and deliver them on time to our customers. Quality inspections are conducted throughout the entire production cycle, from raw material to final product. We also welcome our customers to provide feedbacks through the customer service channels.

Suppliers:

We understand that it is essential for our supply chain to align with our corporate social responsibility commitments and thus we select our suppliers carefully. All potential suppliers are required to provide relevant compliance certificates in order to be qualified on the approved supplier list. In addition to quality considerations, we also consider other factors such as their performances on anti-corruption, occupational health and safety, product safety, labor standards and environmental protection.

For more details, please refer to the "Environmental, Social and Governance Report" section in this annual report.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2020, the Group's net asset value per share was approximately HK$2.32 (2019: approximately HK$2.44). The Group had net current liabilities of approximately HK$34.98 million (2019: net current assets of approximately HK$46.17 million). Total bank borrowings were approximately HK$324.35 million (2019: approximately HK$323.73 million) while the secured and unsecured total banking facilities were approximately HK$743.01 million (2019: approximately HK$741.65 million). Included in total bank borrowings were revolving loans of approximately HK$294.00 million (2019: approximately HK$310.06 million) which are intended to be rolled over upon maturity. The Group's financial gearing, based on the total bank borrowings compared to the total equity, was approximately 14.71% (2019: approximately 13.98%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks to increase the banking facilities for working capital needs, if necessary.

Capital Structure

During the year, there were no changes in the Company's share capital.

Charges on Group Assets

As at 31 December 2020, investment properties and certain leasehold land and buildings of the Group with a net book value of approximately HK$1,886.83 million (2019: approximately HK$1,909.35 million) were mortgaged to various banks to secure the banking facilities granted to the Group.

Material Acquisitions and Disposals

There were no material acquisitions and disposals during the year ended 31 December 2020.

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed 1,012 (2019: 1,303) full time management, administrative and production staff in the HKSAR, Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plants while the number of management and administrative staff remains stable. The staff costs for the year ended 31 December 2020 amounted to approximately HK$158.26 million (2019: approximately HK$187.90 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

Management Discussion and Analysis *(Continued)*

PROSPECTS

The outbreak and widespread of the COVID-19 has become the biggest challenge to the world economy for the year 2020 and the impact of the pandemic has yet to come to its head. The economic outlook for 2021 will continue to be challenging. The Group will diversify its businesses, explore sales opportunities, raise production efficiency and strengthen the cost control measures in order to sustain its businesses. In addition, the Group has obtained the approval from the Government of the HKSAR for revitalization of Kader Building. The whole processes are expected to be completed by the end of 2022. The revitalization of Kader Building will enhance the Group's source of revenue and profitability.

By order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 30 March 2021

Corporate Governance Report

The Board of Directors is pleased to present this Corporate Governance Report for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance to enhance corporate performance and accountability. The Board regularly reviews and adopts corporate governance guidelines and developments. The Board believes that good corporate governance will in the long term serve to enhance shareholders' value.

The Board sets its corporate governance procedure and duties pursuant to the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and it accordingly reviews and monitors the training and continuous development in profession of directors and senior management and its policies and practices in compliance with relevant laws and regulatory requirements. The Company has adopted and applied a corporate governance policy. During the reporting year, the Group has complied with all code provisions set out in the CG Code, except for the deviation from CG Code A.2.1 as described below:

Under CG Code A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kenneth Ting Woo-shou has the combined role of Chairman and Managing Director. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as non-executive director and independent non-executive directors ("INEDs") form the majority of the Board, with five out of eight of the directors of the Company being non-executive director and INEDs. The Board believes the appointment of Mr. Kenneth Ting Woo-shou to the posts of Chairman and Managing Director is beneficial to the Group as he has considerable industry experience.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Company's directors and relevant employees who are or may be in possession of unpublished inside information. Based on specific enquiries made, all directors have confirmed that they have complied with the Model Code throughout the year.

Corporate Governance Report *(Continued)*

BOARD OF DIRECTORS

The Board currently comprises three Executive Directors (one of whom is the Chairman and Managing Director of the Company), namely Mr. Kenneth Ting Woo-shou, Mrs. Nancy Ting Wang Wan-sun and Mr. Ivan Ting Tien-li; one Non-executive Director, namely Mr. Bernie Ting Wai-cheung; and four INEDs, namely Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, Mr. Desmond Chum Kwan-yue and Ms. Sabrina Chao Sih-ming. The biographical details of all directors of the Company, including the relationship amongst them, are set out on pages 25 to 28 of this annual report.

Chairman and Managing Director

Mr. Kenneth Ting Woo-shou currently holds the offices of Chairman and Managing Director of the Company. The Board believes that vesting the roles of both Chairman and Managing Director in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Non-executive Director and Independent Non-executive Directors

Non-executive Director and INEDs are selected with the necessary skills and experience to provide a strong independent element on the Board and to exercise independent judgement. All Non-executive Director and INEDs are engaged on a term of service of two years renewable for another two years upon expiry. The Board believes the Non-executive Director and INEDs are well qualified and competent in advising the Group on business strategies, finance and management issues. The INEDs are explicitly identified in all corporate communications, and one of them has significant accounting and financial expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each INED a written annual confirmation of independence. All the INEDs meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Appointment and Re-election of Directors

All directors are subject to re-election by shareholders at the annual general meeting following their appointment and at least every three years on a rotational basis. Where vacancies exist on the Board, candidates are proposed and put forward to the Board for consideration and approval. In accordance with the Company's Bye-laws, all newly appointed directors shall hold office until the next following annual general meeting of the Company after their appointment and shall then be eligible for re-election.

Continuous Professional Development of Directors

Upon their appointment, the new directors receive a package of orientation materials and attend extensive presentations given by senior executives to review the Group's businesses and to understand the statutory and regulatory obligations of a director of a listed company. Development and training of directors is an ongoing process so that they can perform their duties appropriately. The Group continuously updates directors on the latest changes in the commercial environment and the current development of the Listing Rules and other applicable regulatory requirements, to ensure compliance and to enhance their awareness of good corporate governance practices. All directors are encouraged to attend relevant training courses at the Company's expense.

The directors have provided to the Company their training records in the year. All of them have participated in appropriate continuous professional development by attending trainings or reading materials relevant to the Company's business or the directors' duties and responsibilities. All directors, namely Mr. Kenneth Ting Woo-shou, Mrs. Nancy Ting Wang Wan-sun, Mr. Ivan Ting Tien-li, Mr. Bernie Ting Wai-cheung, Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, Mr. Desmond Chum Kwan-yue and Ms. Sabrina Chao Sih-ming complied with Code Provision A.6.5 of the CG code during the reporting year.

During the year, the Company has renewed the directors' and officers' liability insurance which provides appropriate cover for the directors and senior management.

Role of the Board

The Board is responsible for setting the strategic direction and policies of the Group and supervising management. The functions normally reserved for the Board are the monitoring and approving material transactions; steering the Group on strategic direction; setting up a Board committee for issues the Board deems appropriate; reviewing and approving the interim and final results; overseeing the effectiveness of the risk management and internal control system; evaluating major corporate, strategic and operational issues that have a significant impact on the Group; and evaluating major investment opportunities which management has not already identified and/or, if the investment is so material, requires the Board to make a decision.

Board Meetings

The Board meets regularly and at least four times a year. Additional board meetings will be held when required. The board papers and related materials are dispatched to the directors within a reasonable time before the board meetings. In addition, directors have full access to information of the Group and can obtain independent professional advice whenever deemed necessary. The Company Secretary is responsible for communications with Board members.

Corporate Governance Report *(Continued)*

Attendance Records of Directors

The attendance records of individual members of the Board and other Board Committees during the financial year are set out as below:

	Number of meetings attended/held				
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Annual General Meeting**
Mr. Kenneth Ting Woo-shou	4/4	–	1/1	1/1	1/1
Mrs. Nancy Ting Wang Wan-sun	3/4	–	–	–	0/1
Mr. Ivan Ting Tien-li	4/4	–	–	–	1/1
Mr. Bernie Ting Wai-cheung	4/4	–	–	–	1/1
Mr. Floyd Chan Tsoi-yin	4/4	2/2	1/1	1/1	0/1
Mr. Andrew Yao Cho-fai	4/4	1/2	1/1	–	0/1
Mr. Desmond Chum Kwan-yue	4/4	2/2	–	1/1	0/1
Ms. Sabrina Chao Sih-ming	4/4	–	–	–	1/1

During the year, the Chairman held a meeting with the INEDs without the presence of other Directors.

BOARD COMMITTEES

Pursuant to the CG Code, the Board established three committees, namely, Remuneration Committee, Audit Committee and Nomination Committee to oversee particular aspects of the Group's affairs.

The Company also established the Executive Committee in July 2006 with delegated authority to deal with the various miscellaneous banking matters of the Company. This committee comprises all the Executive Directors of the Company.

The Board is responsible for performing the corporate governance functions which included:–

(a) developing and reviewing the Company's policies and practices on corporate governance;

(b) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(c) reviewing and monitoring the training and continuous professional development of the directors and senior management;

(d) developing, reviewing and monitoring the code of conduct applicable to employees and directors of the Company; and

(e) reviewing the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

Remuneration Committee

The Remuneration Committee was established in 2005 with written Terms of Reference posted on the Company's website. The Remuneration Committee comprises two INEDs and one Executive Director. Currently, the Remuneration Committee is chaired by Mr. Andrew Yao Cho-fai. Other members of the Committee are Mr. Kenneth Ting Woo-shou and Mr. Floyd Chan Tsoi-yin.

During the year, Remuneration Committee held one meeting to perform their functions as specified in the Terms of Reference. The role and function of the Committee is to make recommendations to the Board on the policy and structure for the remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Committee determines the remuneration packages of individual executive directors and senior management and makes recommendations to the Board on the remuneration of non-executive directors, based on the profitability of the Group, the relevant market data, the performance and contribution of the individual directors. The primary objective is to retain and motivate the directors by linking their remuneration with performance and measuring it against corporate goals. However, no director can approve his or her own remuneration.

The emoluments of each of the director of the Company for 2020 are set out in note 7 to the financial statements.

Corporate Governance Report *(Continued)*

Audit Committee

The Audit Committee was established in 1999 with written Terms of Reference posted on the Company's website. The Audit Committee comprises three INEDs. All committee members have appropriate industry and/or financial experience to perform their role in the business of the Audit Committee. Currently, the Committee is chaired by Mr. Desmond Chum Kwan-yue and the other members of the Committee are Mr. Floyd Chan Tsoi-yin and Mr. Andrew Yao Cho-fai.

The Audit Committee held two meetings during the year to perform their functions as specified in the Terms of Reference. During the year under review, the Audit Committee has met with management to review the interim and annual financial statements and to consider key accounting policies, and discussed with management the Group's risk management and internal controls and auditing and financial reporting matters.

Under its Terms of Reference, the duties of the Audit Committee, amongst other things, shall be to oversee the relationship with the external auditors, to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, to consider any questions of resignation or dismissal of that auditor, and to review with senior management and external auditors the accounting principles and practices adopted, the Listing Rules and statutory compliance, internal control, related party transactions, risk management and financial reporting matters, including interim and annual financial statements and to provide recommendations to the Board.

The Audit Committee members have monitored the integrity of the Group's financial statements, annual and interim reports and accounts. They have also reviewed the significant financial reporting judgements contained in them. The review of the financial statements in the annual and interim reports, before submission to the Board, focused on:

1. Any changes in accounting policies and practices;
2. Major judgemental areas;
3. Significant adjustments resulting from audit;
4. The going concern assumptions and any qualifications;
5. Compliance with accounting standards;
6. Compliance with the Listing Rules and other legal requirements in relation to financial reporting; and
7. Any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give due consideration to any matters that have been raised by senior management.

Corporate Governance Report *(Continued)*

The Audit Committee also discussed issues and reservations arising from the audit work performed, and any matters the auditors might wish to discuss (in the absence of management where necessary).

The Audit Committee has performed an annual review of the control systems which included:

1. Reviewing the financial controls, risk management and internal control systems;

2. Discussing with management the system of risk management and internal control to ensure that management has performed its duty to have an effective risk management and internal control system including the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function;

3. Considering any findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;

4. Ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring the effectiveness of the internal audit function;

5. Reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

6. Reviewing the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

7. Ensuring that the Board provided a timely response to the issues raised in the external auditor's management letter; and

8. Reporting to the Board on these matters as deemed appropriate.

Corporate Governance Report *(Continued)*

Nomination Committee

The Company established the Nomination Committee in 2012 with written Terms of Reference posted on the Company's website. The Nomination Committee comprises two INEDs and one Executive Director. Currently, the Nomination Committee is chaired by Mr. Kenneth Ting Woo-shou. Other members of the Committee are Mr. Floyd Chan Tsoi-yin and Mr. Desmond Chum Kwan-yue.

The Nomination Committee held one meeting during the year. The duties of the Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement corporate strategy; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorship; (iii) assess the independence of INEDs; (iv) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive; (v) review the Board Diversity Policy; and (vi) review the Nomination Policy.

Board Diversity Policy

The Company has formulated the Board Diversity Policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Nomination Policy

The Company has formulated the Nomination Policy in December 2018 aiming at setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board of the Company for appointment or (ii) shareholders of the Company for election, as a director of the Company.

1. Nomination Criteria

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

1.1 Skills, Experience and Professional Expertise: The candidate should possess the skills, knowledge, experience and professional expertise which are relevant to the operations of the Company and its subsidiaries.

1.2 Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company.

1.3 Commitment: The candidate should be able to devote sufficient time to attend the board meetings and participate in other board associated activities.

1.4 Standing: The candidate should have the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company.

1.5 Independence: The candidate to be nominated as an independent non-executive director must satisfy the independence criteria set out in the Listing Rules.

2. Nomination Procedures

2.1 If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.

2.2 On making recommendation, the Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration.

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

Corporate Governance Report *(Continued)*

AUDITOR'S REMUNERATION

Each year, the auditors are appointed at the Annual General Meeting ("AGM") and at the AGM held on 3 June 2020, directors were authorised to fix the auditors' remuneration for auditing services rendered.

The fees for audit and audit related services provided by the Group's auditors, KPMG, for the year ended 31 December 2020 are as follows:

Service rendered	**Fees paid/payable**
	HK$
Audit services	4,773,000
Tax services	842,000
	5,615,000

In addition, audit services and tax services were provided by other auditors to certain subsidiaries for the year ended 31 December 2020 and the related fees amounted to HK$102,000 and HK$270,000 respectively.

Save as disclosed above, the auditors have not so far provided any significant non-auditing services. Should any non-auditing services be considered to be conducted by our auditors, the Audit Committee would consider these proposals based on the policy developed by them in this regard, and would then make recommendations to the Board.

RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibilities to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group. The directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and all applicable disclosure provisions of the Listing Rules. The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The responsibility of the auditors with respect to the financial statements is set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group is committed to set up and maintain an effective risk management and internal control systems which are devised to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimize rather than eliminate the risks of failure in the Group's operational systems.

The Board is responsible for maintaining a sound and effective risk management and internal control systems particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations and safeguard the Company's assets.

During the 2020, the outsourced internal auditor responsible for the review and appraisal on the effectiveness of financial, operational and compliance controls and risk management of the Group, provided reports to the Audit Committee and the management highlighting observations and recommendations to improve the risk management and internal control systems. The management agreed on the findings and adopted the recommendations accordingly.

The Audit Committee considered that there was no material defect in the Company's internal control review report.

The Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems during the year, including financial, operational, compliance and risk management. The Board is of the view that the existing risk management and internal control systems are effective and adequate to the Group.

For the handling and dissemination of inside information, the Group has set up the following procedures and internal controls:

(1) The non-disclosure of confidential information is codified in the staff handbook;

(2) The inside information will only be disseminated to specified persons on a need-to-know basis; and

(3) The notifications regarding blackout period and securities dealing restrictions are sent to the relevant directors and employees.

The Group will review the effectiveness of the current procedures from time to time to ensure the compliance of the regulatory requirements.

Corporate Governance Report *(Continued)*

DIVIDEND POLICY

Dividends may be distributed by way of cash and by other means that the Board considers appropriate. A decision to declare and pay dividends will require the approval of the Board and will be at its discretion. Such discretion is subject to the applicable laws and regulations, the Company's Bye-Laws and the approval of the shareholders, if applicable.

In determining the dividend payment ratio in respect of a financial year, the Board will take into account a desire to maintain and increase the dividend levels within the overall objective of maximizing shareholders' value over the long term. The dividend will generally be paid in the form of an interim and a final dividend.

In considering the level of dividend and means of payments, the Board will take into account the following factors:

1. results of operations and retained earnings;
2. cash flows;
3. financial conditions;
4. shareholders' interest;
5. capital requirements and investment plans;
6. general business conditions and strategies;
7. dividend yield of similar-sized companies listed in Hong Kong;
8. other relevant factors.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to attend the annual general meeting for which at least 21 days' notice is given. This provides opportunities for shareholders and investors to raise their queries and share their views with our directors and/or senior management. Shareholders may call for special general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the principal place of business a written request for such general meetings together with the proposed agenda items. At any general meeting a resolution put to the vote of the meeting must be taken by poll.

INVESTOR RELATIONS

The Group endeavours to continue maintaining a high level of transparency in communicating with shareholders and investors. The Group is committed to maintain two-way communications with shareholders and investors and to update shareholders and investors on relevant information in its business in a timely manner subject to the relevant regulatory requirements.

Enquiries may be put to the Board through the Company Secretary by post at the principal place of business of the Company.

The Group maintains a corporate website at www.kaderholdings.com which enables shareholders and investors to track the Group's latest developments. This acts as an effective medium for information disclosure, and provides comprehensive and update information on the Group's operations, announcements, circulars, notices, as well as interim and annual reports. During the year, there is no substantial change in the Memorandum of Association and Bye-laws of the Company.

As at 31 December 2020, the Company had 950,587,991 shares in issue, with a par value of HK$0.10 each. Interests of the directors and chief executives in the shares of the Company are disclosed in the Directors' Report set out on pages 29 to 31 of this annual report.

Directors' Report

The Directors of the Company have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is incorporated in Bermuda under the Bermuda Companies Act 1981 with limited liability. The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are the manufacture and trading of plastic, electronic and stuffed toys and model trains, property investment, and investment holding.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 10 to the financial statements.

SUBSIDIARIES

Particulars of the Company's major subsidiaries at 31 December 2020 are set out in note 13 to the financial statements.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2020 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 68 to 166.

BUSINESS REVIEW

A business review of the Group is provided in the Management Discussion and Analysis on pages 4 to 8. An analysis of the Group's performance using financial key performance indicators is provided in the Five-Year Summary on pages 168 to 170. No important events affecting the Group have occurred since the end of the financial year under review.

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 pages 168 to 170 of the annual report.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 27(c) to the financial statements. There was no change in the authorized and issued share capital during the year.

TRANSFER TO RESERVES

Loss attributable to equity shareholders, before dividends, of approximately HK$110,366,000 (2019: approximately HK$14,364,000) have been transferred to reserves. Other movements in reserves during the year are set out in the consolidated statement of changes in equity.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK$Nil).

DONATIONS

Donations made by the Group during the year for charitable and other purposes amounted to approximately HK$24,000 (2019: HK$198,000).

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Group during the year or subsisted at the end of the financial year.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 11 to the financial statements.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2020 are set out in note 22 to the financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 30 to the financial statements.

PROPERTY

Particulars of the property of the Group are shown on page 167 of the annual report.

Directors' Report *(Continued)*

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales attributable to the Group's largest suppliers and customers are as follows:

	2020	2019
	%	%
Purchases		
– the largest supplier	**9**	12
– five largest suppliers combined	**30**	29
Sales		
– the largest customer	**17**	32
– five largest customers combined	**43**	49

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest at any time during the year in the above customers or suppliers.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2020 are set out in note 31 to the financial statements.

DIRECTORS

The Board during the financial year and up to the date of this report was:

Executive Directors:
Mr. Kenneth Ting Woo-shou *(Chairman and Managing Director)*
Mrs. Nancy Ting Wang Wan-sun
Mr. Ivan Ting Tien-li

Non-executive Director:
Mr. Bernie Ting Wai-cheung

Independent Non-executive Directors:
Mr. Floyd Chan Tsoi-yin
Mr. Andrew Yao Cho-fai
Mr. Desmond Chum Kwan-yue
Ms. Sabrina Chao Sih-ming

The Company has received from each of its INEDs an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers its INEDs to be independent. Members of the Board clearly understand their responsibility and obligations.

Mrs. Nancy Ting Wang Wan-sun, Mr. Floyd Chan Tsoi-yin and Mr. Andrew Yao Cho-fai shall retire by rotation in accordance with the Company's Bye-laws 109(A) and 189(ix), and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Chairman and Managing Director

Mr. Kenneth Ting Woo-shou, SBS, JP, aged 78, was reappointed as the Managing Director of the Company in July 2012. He was appointed as the Chairman of the Company and resigned as the Managing Director of the Company in July 2010. He has been the Managing Director of the Company since its incorporation in 1989. He has been a director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 1971 and was appointed as the Chairman in 1993. He was appointed as an Independent Non-executive Director of Cheuk Nang (Holdings) Limited in November 2012. He resigned as an Independent Non-executive Director of Wheelock and Company Limited ("Wheelock") on 27 July 2020. The listing of Wheelock on the Stock Exchange was withdrawn on the same day.

Mr. Ting currently serves as the Honorary President of HK Wuxi Trade Association Limited, The Federation of HK Jiangsu Community Organisation, Federation of Hong Kong Industries, The Chinese Manufacturers' Association of Hong Kong and The Toys Manufacturers' Association of Hong Kong Limited, and the Honorary Life President of the Hong Kong Plastics Manufacturers' Association Limited.

He also serves as a member of a number of other trade organisations and public committees such as The Hong Kong General Chamber of Commerce. He is Life Honorary Court Member of The Hong Kong University of Science and Technology.

Mr. Ting is a director of H.C. Ting's Holdings Limited (a substantial shareholder of the Company), which is owned as to 80% by Border Shipping Limited, a company in which Mr. Ting and Forest Crimson Limited (a substantial shareholder of the Company) have controlling interests. He is the father of Mr. Ivan Ting Tien-li, Executive Director of the Company, husband of Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and uncle of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

Directors' Report *(Continued)*

Executive Directors

Mrs. Nancy Ting Wang Wan-sun, aged 73, was appointed as a Non-executive Director of the Company in January 2008, and re-designated as an Executive Director of the Company in February 2009. She has been an Executive Director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 2001. Mrs. Ting has not held any directorship in other listed public companies in the last three years. She was appointed as Trustee of the Hong Kong Children's Hospital Charitable Foundation for a three-year term from 5 November 2019 to 4 November 2022. She is the wife of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company, the mother of Mr. Ivan Ting Tien-li, Executive Director of the Company, and the auntie of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

Mr. Ivan Ting Tien-li, aged 45, was appointed as an Executive Director of the Company in April 2006. He was appointed as the Managing Director of the Company in July 2010, and stepped down from that position when he was re-designated as a Non-executive Director of the Company in July 2012. He was re-designated as an Executive Director of the Company in April 2018. Mr. Ting holds a Bachelor's Degree in International Politics and Economics. He is one of the authorized representatives of the Company. He has been an Executive Director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 1998. Apart from this, he also serves as director of certain other subsidiaries of the Company. Mr. Ting was appointed as an Independent Non-executive Director of Harbour Center Development Limited in December 2018. Mr. Ting currently serves as the Chairman of Hong Kong Toys Council and a General Committee Member of the Hong Kong Exporters' Association. He is the son of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company and Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and the cousin of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

Non-executive Director

Mr. Bernie Ting Wai-cheung, aged 55, was appointed as a Non-executive Director of the Company in July 2010. He was appointed as a director of Kader Industrial Company Limited since July 2010. He is the Director and General Manager of Qualidux Industrial Company Limited. He studied Mechanical Engineering at the University of Toronto, Canada. He obtained his MBA at Worcester Polytechnic Institute in the USA. He briefly worked in a manufacturing company in Canada. He is now working at Qualidux Industrial Company Limited as the Director and General Manager. Mr. Ting has not held any directorship in other listed public companies in the last three years.

Mr. Ting is the Honorary President of Hong Kong Toys Council under the auspices of the Federations of Hong Kong Industries. He became the Vice President of International Council of Toys Industries (ICTI) in 2009 to 2015 and became the President of Asian Committee of Toy Industries in May 2018. He is Honorary Adviser of The Toys Manufacturers' Association of Hong Kong. As part of his public duties in Hong Kong, he is the Chairman of Hong Kong Q-Mark Council and the Vice Chairman of The Hong Kong Standards and Testing Centre Limited. He is the Director of Hong Kong Certification Centre Limited. He is the Vice Chairperson of "CreateSmart Initiative" Vetting Committee. Mr. Ting is the Vice President of The Hong Kong Plastics Manufacturers Association Limited. He has been appointed by the Financial Secretary of the Hong Kong Special Administrative Region as member of Standing Committee on Company Law Reform for two years from 1 February 2019 to 31 January 2021. He contributes his spare time to community service through Rotary Club of Hong Kong South.

He is the nephew of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company and Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and the cousin of Mr. Ivan Ting Tien-li, Executive Director of the Company. Mr. Ting is a substantial shareholder of Forest Crimson Limited which is a substantial shareholder of the Company.

Independent Non-executive Directors

Mr. Floyd Chan Tsoi-yin, aged 77, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Chan is a member of the American Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. He had been a partner of BDO Seidman in the United States for many years. He was the Asia Pacific Regional Coordinator of BDO International and a member of BDO McCabe Lo Limited's executive committee in Hong Kong. He has significant experience in assisting clients in exploring business opportunities in the Asia Pacific region, particularly the Southeast Asian developing countries and The People's Republic of China. He is also closely involved with assisting clients in developing business in North America and Europe. Mr. Chan has not held any directorship in other listed public companies in the last three years.

Mr. Andrew Yao Cho-fai, JP, aged 55, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Yao, graduated from the University of California, Berkeley and Harvard Graduate School of Business, is the Chairman of Hong Kong Shanghai Alliance Holdings Limited (formerly Van Shung Chong Holdings Limited) (a company listed on the Main Board of the Stock Exchange). Mr. Yao retired as an Independent Non-executive Director of Shanghai Dazhong Public Utilities (Group) Co., Ltd., a company listed on the Main Board of the Stock Exchange, on 22 June 2020.

Mr. Yao is the Hong Kong Deputy of the 12th and 13th National People's Congress of People's Republic of China, Vice Chairman of Shanghai Chinese Overseas Friendship Association, Chairman of Hongkong-Shanghai Economic Development Association, Chairman of the Council of Lingnan University, Vice Chairman of Shanghai Federation of Industry & Commerce, Board Member of Fudan University in Shanghai.

Directors' Report *(Continued)*

Mr. Desmond Chum Kwan-yue, aged 48, was appointed as an Independent Non-executive Director of the Company in March 2009. Mr. Chum was a portfolio manager at Claren Road Asset Management from 2008 to 2017, a company that provides financial services, and was responsible for building and managing a portfolio of regional corporate and sovereign bonds. Prior to working at Claren Road Asset Management, Mr. Chum was a Managing Director of Citigroup where he spent 12 years and helped to build its fixed income franchise in Asia. He oversaw a team of investment professionals and ran the Global Special Situations Group's investment activities in the Greater China Region. He has extensive experience in sourcing, evaluating and executing private lending, private equity and real estate investments in the Greater China Region. He resigned as an Independent Non-executive Director of Classified Group (Holdings) Limited in June 2018. Mr. Chum graduated from Oxford University.

Ms. Sabrina Chao Sih-ming, aged 46, was appointed as an Independent Non-executive Director of the Company in July 2019. Ms. Chao is the Executive Chairman of Wah Kwong Maritime Transport Holdings Limited. She graduated from the Imperial College London in 1996 with a Bachelor of Science Degree in Mathematics with Management. She began her career in finance working for Jardine Fleming during 1997 to 1999, and for PricewaterhouseCoopers during 1999 to 2001. Ms. Chao has been the Director and Managing Director of Wah Kwong Shipping Holdings Limited since July 2002 and the Executive Director and Chairman of Wah Kwong Maritime Transport Holdings Limited since September 2007.

Ms. Chao was the past Chairman of Asian Shipowners' Association during 2016 to 2017 and the Hong Kong Shipowners Association during 2015 to 2017. She has also served as a member of the Hong Kong Maritime and Port Board under the Transport and Housing Bureau of the Government of the Hong Kong Special Administrative Region during 2016 to 2017. In May 2019, Ms Chao was elected as President Designate of the Baltic and International Maritime Council (BIMCO). She is presently the Chairman of External Advisory Group of the Department of Logistics and Maritime Studies in Hong Kong Polytechnic University and the Chairman of Maritime Services Training Board under Vocational Training Council. She was named as Honorary President by the Women's International Shipping & Trading Association since 2009 and Commodore by the Connecticut Maritime Association in 2018.

Ms. Chao has been appointed as the member of the Council of Lingnan University since 2018. In addition to above, she is Honorary Consul of Norwegian Honorary Consulate in Hong Kong; a member of the Standing Committee of the Chinese People's Political Consultative Conference (CPPCC) in Jiangsu Province of the People's Republic of China; Young Global Leaders awarded by the World Economic Forum; a member of Young Presidents' Organization; Executive Vice Chairman of Federation of Jiangsu Community Organization; and Executive Vice Chairman of Wuxi Chamber of Commerce and Advisor of Wusih Residents (H.K.) Association.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting have 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 normal statutory compensation.

All Non-executive Director and INEDs are engaged on a term of service of two years, renewable for another two years upon expiry. The renewal is subject to re-election upon retirement by rotation at the forthcoming annual general meeting under the Company's Bye-laws 109(A) and 189(ix).

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions in the Shares and Underlying Shares of the Company and the Associated Corporations

As at 31 December 2020, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interests in the Company

	Number of ordinary shares of HK$0.10 each				
Name of directors	Personal interests	Family interests	Corporate interests	Total interests	% of total issued share capital
Mr. Kenneth Ting Woo-shou	288,929,941	2,075,183 (i)	258,963,571 (ii)	549,968,695	57.86%
Mrs. Nancy Ting Wang Wan-sun	2,075,183	–	–	2,075,183	0.22%
Mr. Ivan Ting Tien-li	21,530,432	–	–	21,530,432	2.26%
Mr. Bernie Ting Wai-cheung	–	–	–	–	–
Mr. Floyd Chan Tsoi-yin	–	–	–	–	–
Mr. Andrew Yao Cho-fai	–	–	–	–	–
Mr. Desmond Chum Kwan-yue	–	–	–	–	–
Ms. Sabrina Chao Sih-ming	–	–	–	–	–

Notes:

(i) The spouse of Mr. Kenneth Ting Woo-shou is the beneficial shareholder.

(ii) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Border Shipping Limited; and 49,292,571 shares of the Company held by Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Tyrol Investments Limited.

Directors' Report *(Continued)*

(2) Interests in Associated Corporations

Name of associated corporations	Beneficial interests	Class of shares	Number of shares held: Personal interests	Number of shares held: Family interests	Number of shares held: Corporate interests	% of interests in associated corporations
Allman Holdings Limited ("Allman")	Mr. Ivan Ting Tien-li	Ordinary shares of US$1.00 each	920[(i)]	–	–	63.89%
Pacific Squaw Creek, Inc. ("PSC")	Mr. Ivan Ting Tien-li	Ordinary shares of US$1.00 each	–	–	1,000[(ii)]	100.00%
Squaw Creek Associates, LLC ("SCA")	Mr. Ivan Ting Tien-li	Not applicable[(iii)]	–	–	–	62.00%[(v)]
SCA	Mr. Kenneth Ting Woo-shou	Not applicable[(iii)]	–	–	–	13.00%[(vi)]
Snow King Properties, LLC ("SKP")	Mr. Ivan Ting Tien-li	Not applicable[(iv)]	–	–	–	62.00%[(v)]
SKP	Mr. Kenneth Ting Woo-shou	Not applicable[(iv)]	–	–	–	13.00%[(vi)]

Notes:

(i) These interests are held by Mr. Ivan Ting Tien-li.

(ii) These interests are held by Allman. Mr. Ivan Ting Tien-li's beneficial interests in Allman are disclosed in note (i) above.

(iii) SCA does not have issued share capital, the percentage of interest in SCA represents the interest in capital account balance.

(iv) SKP does not have issued share capital, the percentage of interest in SKP represents the interest in capital account balance.

(v) These interests are held by PSC. Mr. Ivan Ting Tien-li's beneficial interests in PSC are disclosed in note (ii) above.

(vi) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

All the interests stated above represent long positions. As at 31 December 2020, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 31 December 2020, none of the directors and chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS

As at 31 December 2020, substantial shareholders and other persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO were as follows:

	Number of ordinary shares of HK$0.10 each				
Substantial shareholders and other persons	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	**% of total issued share capital**
Forest Crimson Limited	–	–	209,671,000[(i)]	209,671,000	22.06%
Mr. Ting Hok-shou	13,800,238	571,429[(ii)]	39,098,281[(iii)]	53,469,948	5.62%
Ms. Emily Tsang Wing-hin	571,429	13,800,238[(iv)]	39,098,281[(iii)]	53,469,948	5.62%

Notes:

(i) Included in the "Corporate Interests" above was 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Forest Crimson Limited has a controlling interest through Border Shipping Limited.

(ii) The spouse of Mr. Ting Hok-shou, Ms. Emily Tsang Wing-hin, is the beneficial shareholder.

(iii) Included in the "Corporate Interests" above were 3,913,997 shares of the Company held by Golden Tree Investment Company Limited, in which Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest; and 35,184,284 shares of the Company held by Kimpont Limited, in which Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest through Golden Tree Investment Company Limited and Yale Investment Corporation.

(iv) The spouse of Ms. Emily Tsang Wing-hin is the beneficial shareholder.

Save as disclosed above, as at 31 December 2020, the Company was not notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO.

Directors' Report *(Continued)*

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

EMOLUMENT POLICY

The emoluments of the directors and senior management are determined with reference to the prevailing market practice, the profitability of the Group, the directors' performance and responsibilities within the Group and contributions to the Group. The Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group subject to the Group's profitability and the individual's performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Mr. Kenneth Ting Woo-shou and Mr. Bernie Ting Wai-cheung, directors of the Company, are considered to have interests in Qualidux Industrial Company Limited ("Qualidux"), a company engaging in toy manufacturing long before the listing of the Company on the Stock Exchange, which competes or is likely to compete with the business of the Group pursuant to the Listing Rules. The average workforce of Qualidux was approximately 100.

As the Board of the Company is independent from the board of the abovementioned company and none of the above directors can control the Board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such company.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

The change in the information of director of the Company, which is required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules, is as follows:

Mrs. Nancy Ting Wang Wan-sun was appointed as Trustee of the Hong Kong Children's Hospital Charitable Foundation for a three-year term from 5 November 2019 to 4 November 2022.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, the Directors and officers of the Company are entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses, which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or otherwise in relation thereto, to the extent as permitted by law. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

AUDITORS

The financial statements for the year ended 31 December 2020 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 30 March 2021

Environmental, Social & Governance Report

OUR SUSTAINABILITY APPROACH

As a leader in toys and model trains manufacturing industry, we strive to integrate corporate social responsibility ("CSR") into our daily operations in order to create long-term value to our employees, our customers, our supply chain, the community and the environment. The Group has established group-wide policies and management systems to align its business with sustainable development.

Management Tools	Details
Environment, Health and Safety ("EHS") Management System	• An EHS committee is set up, chaired by the factory manager and consisting of employee representatives and personnel from various departments such as production, quality control, administration, human resources etc. • Internal inspections and committee meetings are conducted regularly
Responsible Business Alliance ("RBA") CSR System	• Formulated according to the RBA Code of Conduct
Group Environmental Policy	• Sets out the Group's commitments on environmental issues at factories and offices
Group Quality Policy	• Sets out the Group's commitments on providing high-quality products and services
Code of Integrity	• Provides guidance to all staff, suppliers and other business partners on how to conduct business ethically
ISO9001:2015	• Controls the quality of our production processes in a systematic and integrated manner

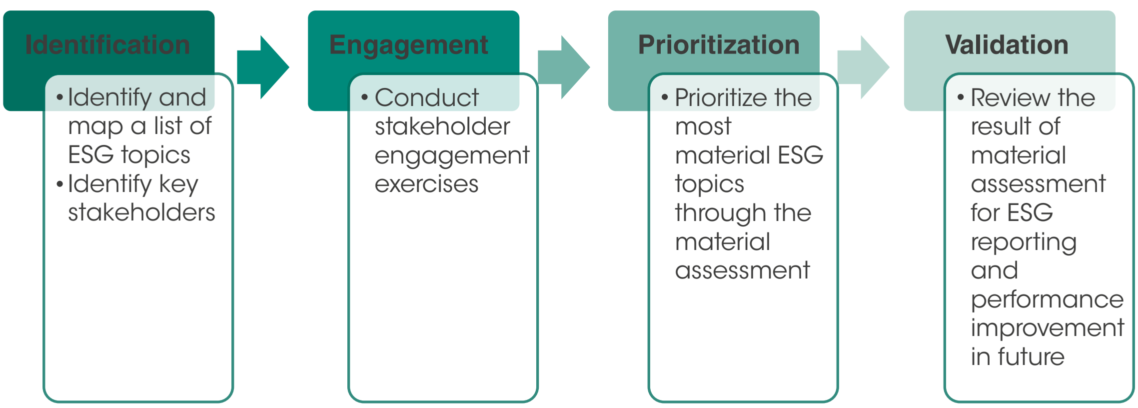
Environmental, Social & Governance Report *(Continued)*

STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

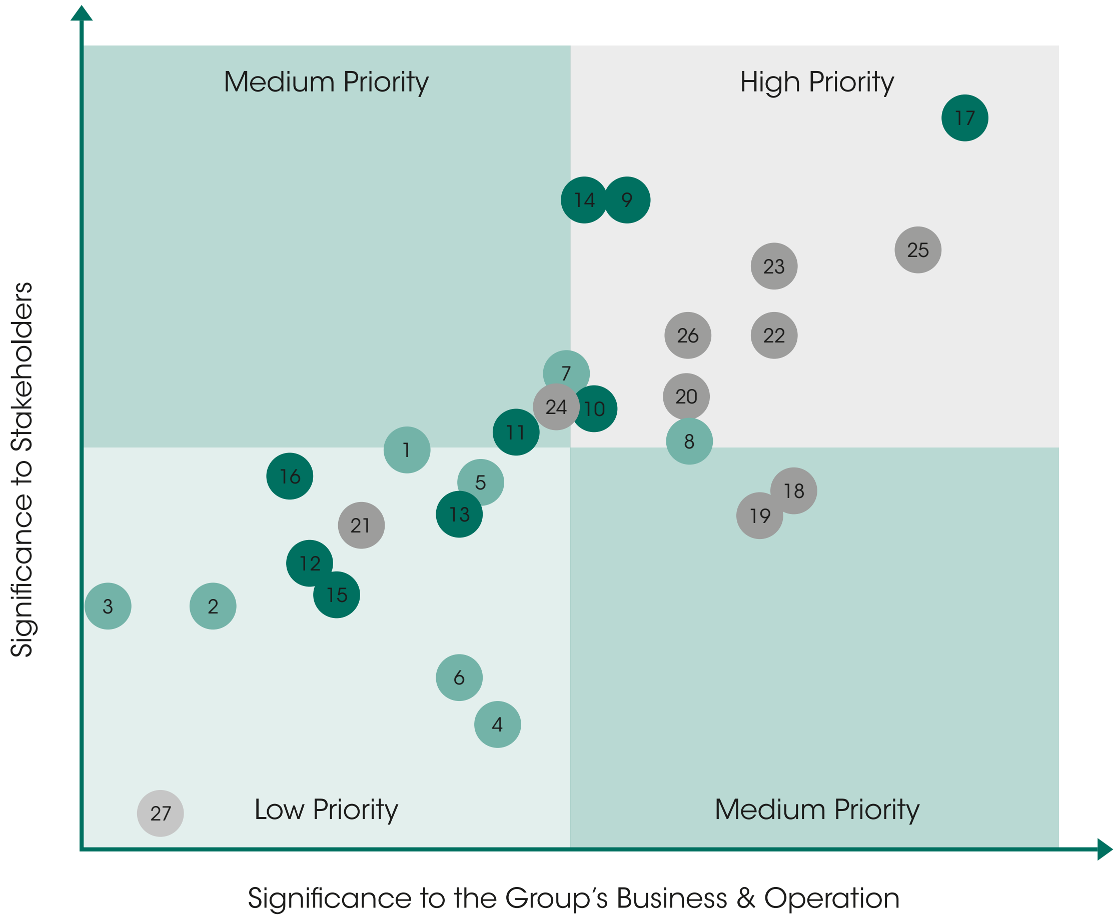
Engaging and responding to our stakeholders is the cornerstone of our overall ESG management approach. We regularly engage our key stakeholders to gauge how we can appropriately respond to their concerns. Through ongoing communication, we collect their views and opinions, which help us identify ESG-related risks and formulate our sustainability strategies to address those risks. The following list summarizes our communication channels with different stakeholder groups:

Stakeholder groups	Engagement methods
Board of directors, shareholders and investors	• Company website and announcement • Annual and interim reports • Regular meetings
Customers	• Company website • Annual and interim reports • Customer service channels
Employees	• Training and orientation • Intranet • Performance review • Company activities • Opinion box • Staff satisfaction survey
Suppliers and business partners	• Selection assessment • Procurement process • Supplier performance appraisal or audit • Regular communication (e.g. emails, meetings, on-site visits etc.)

In order to identify the ESG issues that are material to the Group in formulating appropriate ESG strategies on ESG management, we have conducted a materiality assessment in form of an online questionnaire. Our key stakeholder groups, such as the board of directors, employees, customers, were invited to fill in the questionnaire and score the identified twenty-seven ESG topics in accordance with their relevance and importance to the Group's business operations and the stakeholders themselves respectively.



Based on the materiality of each of the ESG topics expressed by the stakeholders, the ESG topics are prioritised and shown in the materiality matrix below:



Environment

1 Air emission
2 Greenhouse gas emission
3 Climate change
4 Energy efficiency
5 Water & effluents
6 Use of materials
7 Waste management
8 Environmental compliance

Employment

9 Labour rights
10 Labour-management relations
11 Employee retention
12 Diversity and equal opportunity
13 Non-discrimination
14 Occupational health and safety
15 Employee training
16 Employee development
17 Prevention of child labour & forced labour

Community

27 Community support

Operation

18 Customer satisfaction
19 Customer service quality & complaints handling
20 Customer health and safety
21 Marketing and product and service labelling compliance
22 Intellectual property
23 Customer privacy and data protection
24 Responsible supply chain management
25 Business ethics
26 Socio-economic compliance

Environmental, Social & Governance Report *(Continued)*

We prioritized those ESG topics into three categories: high, medium and low, for better strategic planning and resource allocation. The topics which fell in the upper right corner of the matrix were defined as the topics that matter most to the Group's business operations and our stakeholders as far as they are concerned. Acknowledging expectations of our stakeholders, we are committed to improving our ESG performance, governance and policies.

A RESPONSIBLE PRODUCER

The Group firmly believes doing business ethically and creating sustainable values for our business partners and the community are the keys to guide us through the evolving business world. Complying with all applicable laws and regulations in our production, we endeavour to build long-term relationships with our customers, supply chain and the community.

Business Conduct

With integrity being a core part of the Group's business ethics, any form of fraud, bribery, extortion, and money laundering is strictly prohibited, as clearly stated in the Employee Handbook and the Code of Integrity. All employees are expected not to solicit or receive any gifts, rewards or advantages from external parties. Breaching the code will lead to disciplinary actions. In case of any suspicious cases, employees are welcomed to report to the management. We promise to handle the issue timely and fairly. All reports and enquiries are handled with strict confidentiality under all circumstances to preserve anonymity. Additionally, the Code of Integrity covers our suppliers and business partners as well.

In FY2020, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong and Mainland China. There was no legal case regarding corrupt practices brought against the Group or our employees.

Customer Privacy & Intellectual Property Rights

The Group attaches great importance to the protection of confidential data of our customers. Adhering to our customer-oriented approach, we shall keep customers' data confidential and shall not disclose any information directly or indirectly. Customer information is collected only when it is necessary. Unauthorized access and use of customers' data are prohibited. For complying with data privacy laws and regulations, we will continuously conduct regular reviews on our data management and provide training to our employees on privacy matters.

Understanding the importance of originality, we safeguard intellectual property ("IP") rights by establishing the Intellectual Property Handbook for our employees to follow so that they understand what to do and act properly when dealing with IP rights. Our IP Manager is responsible for overseeing the performance of each department and arranging training. Our employees are prohibited from disclosing or exploiting any patents and trademarks. Disciplinary actions or even dismissal will be resulted for breaching the policy.

In FY2020, the Group was not aware of any material non-compliance with laws and regulations relating to privacy matters of products and services and IP rights in Hong Kong and Mainland China.

Product Responsibility

The Group is devoted to providing top quality products and delivering excellent customer experience. Guided by the Group Quality Policy, we strive to achieve the highest customer satisfaction through continuous improvement, as well as producing quality products and deliver them on time to our customers.

Our Gao Bu factory has developed a Quality Management System ("QMS") which has been accredited with ISO 9001:2015 certification, demonstrating our commitment to quality management. We have implemented the QMS to ensure that the quality of our products are up to industry standards and customer requirements throughout the entire manufacturing process by systematically identifying, managing and mitigating quality management risks. We have also obtained the China Compulsory Product Certification for our toy products.

We conduct stringent quality control inspections along the whole production cycle, from incoming raw materials to final products. If our products are discovered to have any safety or health issues, we will recall the products and immediately stop the related production, according to the "Product Recall Procedure". We will also engage specialists to carry out a comprehensive investigation in order to find out the root causes and impacts of the problems. Furthermore, we will promptly implement improvement plans to avoid similar occurrence in the future. The clear "Product Labeling Policy" is also in place to guide our customers on proper and safe use of our products. In FY2020, there was no record of product recall due to safety and health reasons.

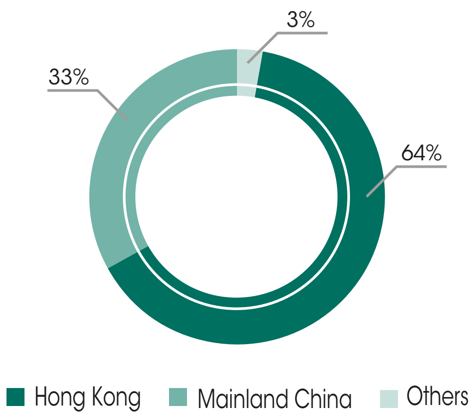
We strive to live up to our customers' expectations and we welcome customers to provide feedback on our products or services through customer service channels. The "Customer Complaint Handling Procedure" has been established for ensuring that a thorough investigation is conducted with timely implementation of appropriate remedial actions. All complaint cases and details are documented to reduce the possibility of re-occurrence in the future. In FY2020, there was no record of complaint received regarding our products and services.

In FY2020, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising and labeling matters of products and services in Hong Kong and Mainland China.

Supply Chain Management

In FY2020, the Group worked with 165 suppliers, 64% from Hong Kong, 33% from China and 3% from other regions.

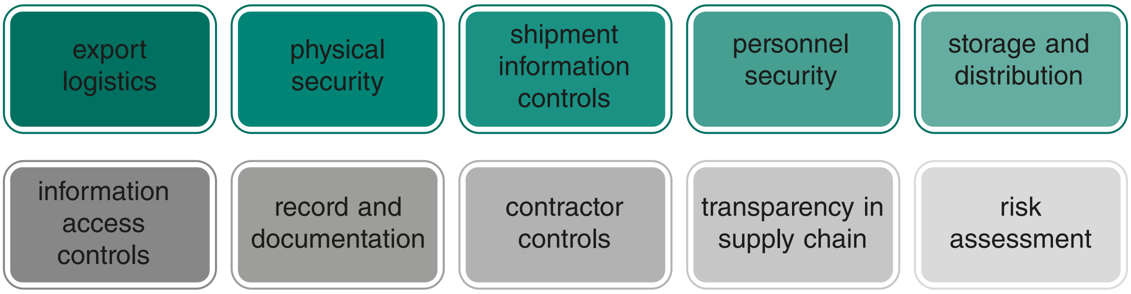
Suppliers by Geographical Region



We understand that it is essential for our supply chain to align with our CSR commitments and thus we select our suppliers carefully. Guided by the "Vendor Qualification and Vendor Control Procedure", all potential suppliers are requested to fill in the quality survey, provide compliance proof and submit testing reports or reference sample for evaluating purposes. Where necessary, we will arrange onsite inspections to verify their actual performance. Apart from product quality, we have imposed requirements on our suppliers in various ESG-related areas, including anti-corruption, occupational health and safety, product safety, labour standards and environmental protection. Only those who meet our requirements will be qualified on our approved supplier list. Supplier performance appraisal is also conducted regularly to assess their performance. If any non-conformity is found, corrective action will be requested. Failure to improve will lead to disqualification from the approved supplier list.

Apart from our adherence to RBA Code of Conduct, we require our suppliers to do the same as well in order to make sure our values are aligned. Suppliers are required to declare that they acknowledge and are committed to complying with the requirements of RBA Code of Conduct.

Additionally, our Gao Bu factory has participated in the Intertek's Global Security Verification program, which aims to identify, mitigate and eliminate potential security risks along our supply chain. This verification focuses on the following areas of supply chain security:



Community Involvement

As a socially responsible enterprise, fulfilling CSR is one of key elements of our corporate culture and thus we are devoted to serving our community where we locate and operate. We encourage our employees to participate actively in different charitable and voluntary activities as well. Looking ahead, the Group will continue to look for opportunities where we can leverage our expertise in the society.

A RESPONSIBLE EMPLOYER

The Group recognizes employees as the most important asset to drive our business performance. To build and maintain a committed and innovative workforce, we put emphasis on safeguarding their health and safety, offering competitive remuneration, providing development opportunities and maintaining a pleasant workplace.

Child & Forced Labour

We are committed to offering an ethical workplace and thus the employment of child and forced labour is strictly prohibited. Guided by the Child & Juvenile Worker Protection Procedure, all of our employees must have reached the statutory age before the commencement of work by checking their identification documents. Regular investigations are conducted to ensure no underaged person is hired. If any child labour is found, remedial procedures will be carried out by sending the children back home, followed by providing sufficient educational supports until they are 16 years old. We aim to offer as much assistance as possible and alleviate potential negative impacts on them. For juvenile workers who are under the age of 18, they are not allowed to engage in certain positions with potential safety and health hazards. In addition, we ensure all of our staff work consensually and are free from any form of forced labour, as guided by the Anti-Forced Labour Management Procedure. Reporting channels are developed for staff to report any suspected forced labour cases, and we promise to handle the issue seriously and timely.

The same practice is also extended to our supply chain. If child and forced labour is discovered, immediate remedial actions will be requested. Failure to improve will lead to termination of business relationship.

In FY2020, the Group was not aware of any material non-compliance with laws and regulations relating to child and forced labour in Hong Kong and Mainland China.

Occupational Health & Safety

Upholding the philosophy of “Safety First, Prevention First”, we have established the EHS Management System to maintain a workplace which is free from occupational hazards for better management on occupational health and safety issues. The EHS committee is responsible for monitoring the actual implementation and effectiveness. A comprehensive set of EHS polices is also developed to address various types of potential risks, such as the procedures for fire safety, hazardous waste management, use of chemicals and personal protective equipment (“PPE”) management.

Environmental, Social & Governance Report *(Continued)*

Prevention	• Employees are provided with and always reminded to properly wear PPE when performing certain duties • Formulate emergency procedures on events such as chemical leakage and fire accidents • Hold fire drills to let our staff be familiar with emergency situations • Place reminders in the workplace to remind our staff to pay attention
Staff awareness	• All employees are required to attend and pass safety-related courses before employment commences • Regular training on machinery operation, fire safety, industrial safety, anti-terrorism and PPE usage is conducted annually with examinations • Organize the annual "Occupational Diseases Prevention Week" to cultivate a safe working culture
Monitoring	• Prior investigation is conducted for all new processes and substances before they are introduced • Regular internal inspection is carried out in the entire site to prevent violations of EHS procedures • Regular EHS committee meeting to review and formulate corrective actions

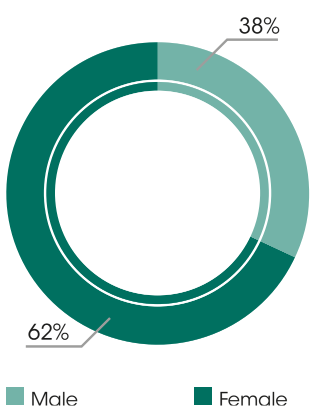
For our office staff, we have also formulated the office condition guideline to ensure a safe and healthy workplace. The temperature and lighting are set at an optimized level so that employees can work in a comfortable environment.

In FY2020, there were no work-related fatalities and 42 lost days due to work injuries. The Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards in Hong Kong and Mainland China.

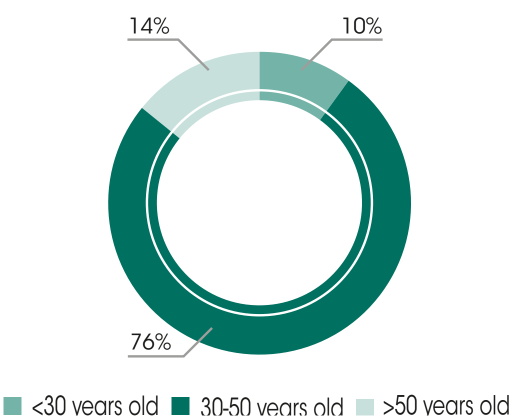
Employment Standards

As at the end of FY2020, the total number of full-time employees is 760, who are distributed in Hong Kong and China, accounting for 12% and 88% of the total workforce, respectively. Employees aged between 30 and 50 account for 76% of our total workforce while employees aged below 30 and above 50 represent 10% and 14% respectively.

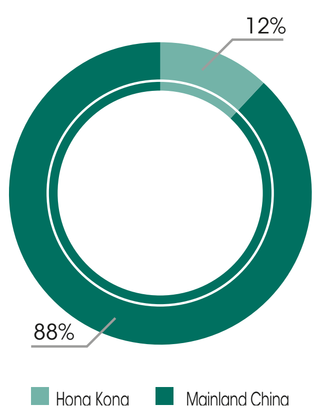
Gender Profile



Age Profile



Geographical Distribution



Employee Turnover Rate[1]		Hong Kong office (%)	Manufacturing facility and warehouse (%)
Total		19.15	120.72
By gender	Male	21.57	179.66
	Female	16.28	88.37
By age group	Below 30	0.00	365.28
	30 to 50	13.73	96.41
	Over 50	26.83	47.69
By geographical region	Hong Kong	19.15	–
	Mainland China	–	120.72

The Employment Policy and Employee Handbook are established to govern the entire processes in our human resources management, which cover recruitment and selection, working hours, rest period, attendance, performance appraisal and promotion, termination, workplace discipline and other employee benefits and welfare. Our employees are offered with competitive remuneration packages, which are regularly reviewed to ensure compliance with latest laws and regulations and to keep up with industry's standards.

Apart from paid annual leaves and statutory holidays, all employees are also entitled to sick leave, bereavement leave, marriage leave, maternity leave, paternity leave and jury duty leave. We also fulfil our responsibility as an employer to purchase mandatory provident fund and mandatory social welfare scheme for all employees in Hong Kong and China respectively. Our benefits include medical benefits, personal accident insurance, business trip subsidies and lunch/supper subsidies.

Advocating the principle of equal opportunities and diversity, we do not tolerate any forms of discrimination. All employees and job applicants are treated equally, regardless of race, sex, marital status, pregnancy, disability status or other forms of difference that are unrelated to the job requirements. Every employee is treated equally in recruitment, promotion, performance appraisal, training, benefits as well as compensation. At our offices, we have installed facilities to make them more user-friendly for disabled employees.

[1] The turnover rate is calculated by dividing the number of employees in the specified category leaving employment during FY2020 by the number of employees in the specified category at the end of FY2020.

It is our responsibility to nurture an inclusive and harmonious working environment and thus we establish a two-way communication to understand our employees' needs and opinions. As we believe that the employee satisfaction is the key to productivity, we devote continuous efforts to boost their morale at the workplace by collecting staff's complaints or suggestions through multiple communication channels including opinion box, staff satisfaction survey, performance review, meetings and company activities.

In FY2020, the Group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare in Hong Kong and Mainland China.

Staff Development

We firmly believe that professional competency and development of our employees serve pivotal roles in our business thrives, and it is vital to cultivate a continuous development culture and unleash our workers' potentials. Hence, we provide learning supports for our employees. We actively encourage our staff to further develop their strengths and potentials by offering various training programs, such that they can continue to grow with us.

To manage our training programs systematically, annual training plans are formulated according to the Group's strategy, departmental needs, job requirements and employees' needs. All new hires are required to go through the orientation and induction program to help them swiftly adapt to the new working environment. Key topics covered include the Group's core business operations, policies and corporate culture. Employees who are appointed to specific technical positions are further provided with specialist training in acquiring necessary skills and knowledge to perform their duty. Apart from internal training opportunities, we encourage employees to enhance their work-related skills and knowledge by sponsoring tuition fee for external training programs.

New staff orientation

- company overview
- staff responsibilities and obligations
- EHS training
- Kader's requirements on environmental protection, product quality etc.

On-job training

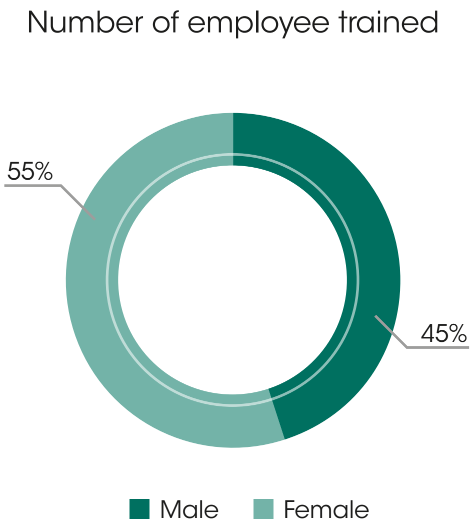
- personal competencies
- management skills
- legal requirement updates
- customers' requirements and industry-wide standards such as RBA and ISO requirements

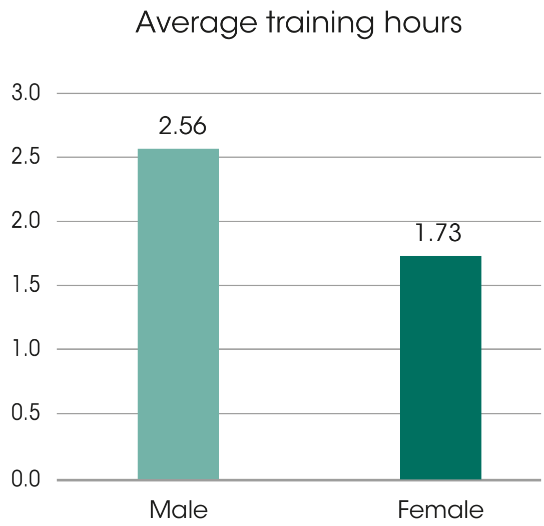
Through ongoing evaluations and annual performance reviews, employees' performances are assessed in an objective and fair manner. It is also an opportunity for staff to communicate with their supervisors on goal setting, training demands, difficulties encountered etc.

In FY2020, we have arranged a series of training activities, covering topics such as regulatory knowledge, ISO management, RBA requirements, computer competencies, machine operation, safety training and leadership skills in order to enhance our service and product quality, as well as maximizing staff's potentials.

In FY2020, a total of 1,346 hours of training was held in Mainland China. The staff training profile divided by gender and employee category is illustrated in the charts below:

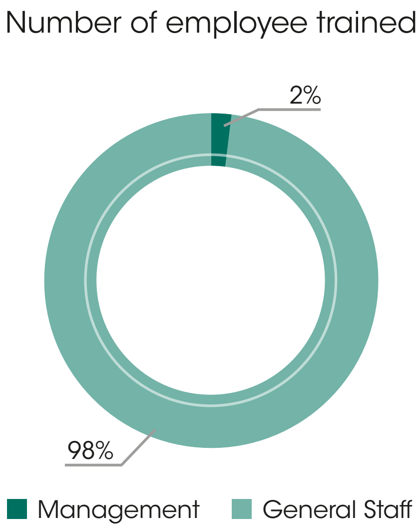
By gender

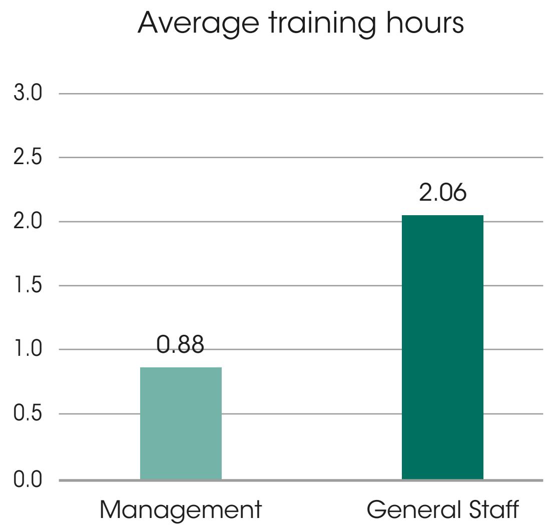




Environmental, Social & Governance Report *(Continued)*

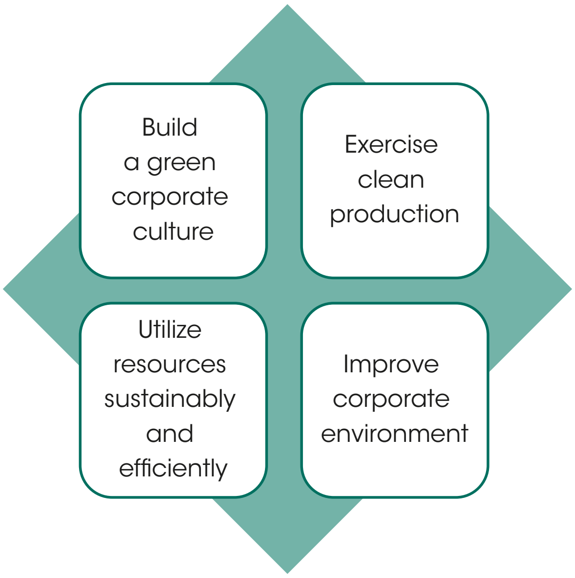
By employee category





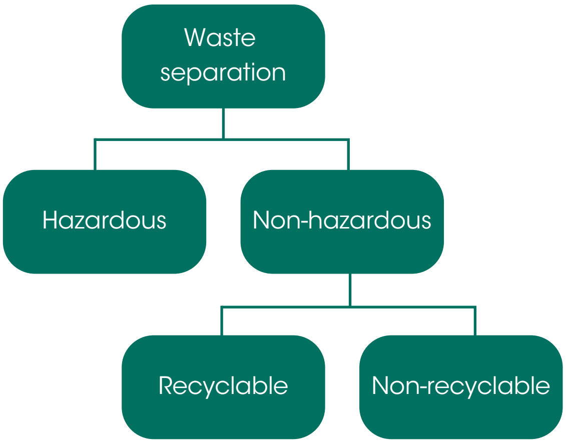
RESPONSIBLE TO THE ENVIRONMENT

We have established the EHS Management System and the Group Environmental Policy to effectively address and manage environmental issues during our operation. We strive to minimize our environmental impacts by building a green corporate culture, exercising clean production, improving corporate environment, and utilizing resources sustainably and efficiently. A comprehensive set of policies and procedures is devised to ensure full compliance with industry standards, customer requirements, as well as relevant environmental laws and regulations. All emissions and discharges are only carried out with valid permits and licenses.



In FY2020, we were not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, generation of waste and use of resources in Hong Kong and Mainland China.

Waste Management



Following the Waste Management Procedure, we closely monitor our waste generation from operational activities. Waste separation is the first step in our waste management as it helps facilitate proper waste handling and divert useful materials from landfills. All waste is separated into two main types, hazardous waste and non-hazardous waste, as they require different strategies on collection, storage, transferal and disposal. They are separated and stored in dedicated bins with clear labels. This is a vital step to isolate hazardous waste which requires different approaches to handle, and to capture valuable waste for further recycling.

Hazardous waste	Non-hazardous waste
Hazardous waste, such as organic solvents, thinner, waste paint and ink, is disposed of in strict compliance with relevant laws and regulations. These kinds of hazardous wastes are then consigned to licensed hazardous waste collectors for further handling and treatment. In FY2020, the Group generated 1 tonne of chemical waste, with the intensities of 0.004 tonnes/million HKD sales respectively.	Non-hazardous waste can be further segregated into recyclable or non-recyclable materials. Before recycling or final disposal, all the materials are reused as much as possible. The collected recyclable waste is then recycled by licensed waste recyclers. For example, waste paper is sent to paper mills for recycling. In FY2020, the Group generated a total of 28.69 tonnes of non-hazardous waste, with the intensity of 0.12 tonnes/million HKD sales.

Water Resources

In FY2020, there was no issue in sourcing water and the total water consumption was 127,316 m^3 with an intensity of 517.67 m^3/million HKD sales. To conserve water resources, we strive to achieve efficient water use and water recycling. In addition to closely monitoring our water use, we have implemented the following measures:

- Recycle and reuse cooling water in the production processes after proper treatment
- Inspect water pipes regularly to prevent water leakage
- Promote water-saving behaviour to all staff
- Conduct timely maintenance in case of water leakage to avoid wastage
- Place “water saving” signs near water taps to remind our staff to treasure water resources

As stated in the Wastewater Management Procedure, industrial wastewater generated from our production is prohibited from discharging into the domestic sewer. It must be stored in special containers and treated by licensed collectors. For domestic wastewater generated from the staff kitchen, it is treated by an oil and grease trap and in-house treatment facility before discharge. To ensure all effluents discharged complies with relevant requirements, we pose strict controls on our discharge activities through regular third-party inspections. In FY2020, the total wastewater discharged was 9,187.27 m^3, with an intensity of 37.36 m^3/million HKD sales.

Air Emission Control

Our manufacturing sites have already obtained relevant permits on air emissions generated from our production processes such as plastic moulding, paint spraying and welding. Oil fume from the staff kitchen and exhausts from company vehicles are the other sources of the Group's air emission. The Exhaust Gas Pollution Management Procedure is formulated to provide guidance to our staff to ensure that the level of air pollutants in the emitted air is complied with relevant requirements. The following air emission control measures are implemented:

- Upgrade exhaust gas treatment facilities at our manufacturing facilities
- Use water-based and environmentally friendly paints with low volatile organic compound ("VOC") content
- Collect VOCs centrally and treat by UV photolysis and activated carbon adsorption
- Install oil mist separators to minimize impacts in relation to oil fume emissions
- Upgrade the vehicle fleet with more electric cars in service
- Conduct regular internal and external inspections on the quality of the emitted air

Use of Materials

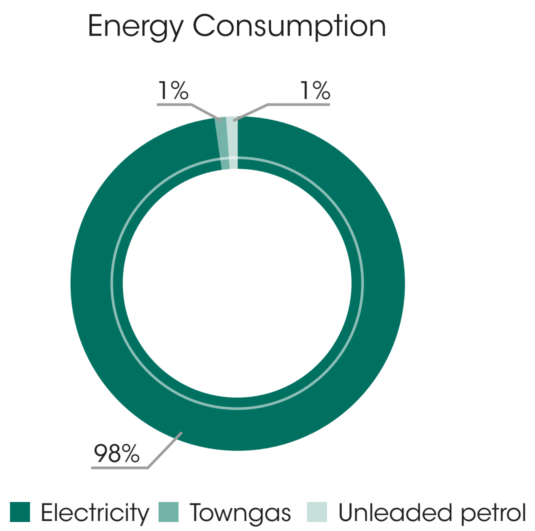
We have been promoting the idea of green office and strengthening the environmental awareness of our employees. We practice green procurement such as opting for refillable stationaries or energy-efficient appliances. Employees are also greatly encouraged to make full use of e-communication channels in order to use paper as least as possible. In FY2020, we consumed a total of 3.55 tonnes of paper at our office and factories, with an intensity of 0.014 tonnes/million HKD sales.

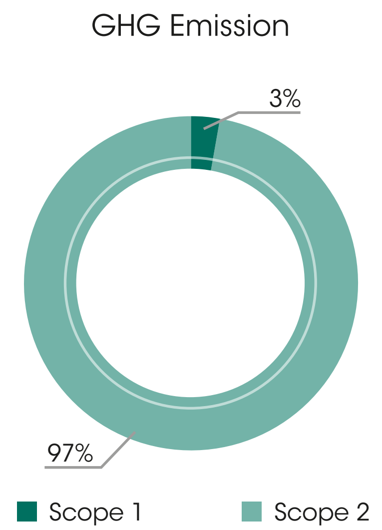
In addition, our production involves the use of packaging materials including carton box, paper and plastic. By optimizing our way of packaging, we strive to minimize the amount of packaging material usage. In FY2020, a total of 428.38 tonnes of packaging materials was consumed, with an intensity of 1.74 tonnes/million HKD sales.

Energy Efficiency & Greenhouse Gas Emission

The main sources of our energy consumption are electricity, towngas and vehicle fuels such as unleaded petrol and diesel oil. In FY2020, a total of 8,552.23 MWh of energy was consumed, with an intensity of 34.77 MWh/million HKD sales.

In view of climate change, we are committed to utilizing energy efficiently and thus reducing corresponding greenhouse gas emissions. In FY2020, the Group emitted a total of 6,190.48 tCO2e of GHG, with an intensity of 25.17 tCO2e/million HKD sales, contributed by the use of electricity, towngas, vehicle fuel and refrigerant.





Environmental, Social & Governance Report *(Continued)*

Striving to transform to a low-carbon environment, we have set an initial target of 10% reduction of our total energy usage and GHG emissions respectively. The Energy Efficiency & GHG Emission Control Plan is formulated accordingly to monitor our energy usage. To understand our consumption pattern, we have measured and recorded our energy consumption systematically. Apart from monitoring, we always look for feasible opportunities to lower our energy usage. Our resource-saving practices are summarized as below:

Green initiatives	• Purchase machineries and electrical appliances with higher energy efficiency • Maintain an optimal indoor temperature • Replace traditional light bulbs with high-efficient LEDs • Make use of natural light as much as possible • Adjust production processes to enhance energy efficiency
Regular maintenance and inspection	• Conduct regular vehicle maintenance to ensure they are operating in good condition to increase vehicle fuel efficiency • Monitor electricity usage closely
Employee awareness	• Promote energy saving behaviors • Remind staff to switch off electrical equipment when not in use • Provide training on best green practices

Minimising Environmental Impacts

The Group is committed to mitigating negative environmental impacts linked with our business activities, and strives to drive towards a common vision of managing environmental issues across the Group. We have emergency procedures in place to deal with any incidents, such as chemical leakage and fire accidents, that will potentially bring adverse impacts to the environment. The EHS committee will hold EHS meeting regularly to review the Group's environmental performance and discuss any matters related to environmental protection.

Additionally, we are aware of noise generated from our manufacturing processes and thus have adopted noise mitigation measures. Regular maintenance is conducted to ensure the equipment is in good condition and hence to reduce the noise level and nuisance to the surrounding. We also strictly adhere to the noise level standards according to the relevant laws and regulations by carrying out monthly noise level inspection.

PERFORMANCE DATA SUMMARY

	Unit	FY2020	FY2019	FY2018
Total number of employees	–	760	1,005	1,241
By gender				
Male	–	287	415	562
Female	–	473	590	679
By employment type				
Full-time	–	760	1,005	1,241
Part-time	–	0	0	0
By age				
<30 years old	–	74	143	235
30 – 50 years old	–	580	747	897
>50 years old	–	106	115	109
By geographical region				
Hong Kong	–	94	100	105
Mainland China	–	666	905	1,136
Occupational health and safety performance				
Number of work-related fatalities	–	0	0	0
Rate of work-related fatalities	–	0	0	0
Lost days due to work-related injury	–	42	86	111.5

Environmental, Social & Governance Report *(Continued)*

	Unit	FY2020	FY2019	FY2018
Training and development[2]				
Number of employees trained by gender				
Male	–	660	1,386	1,751
Female	–	810	1,235	1,665
Number of employees trained by employee category				
Management	–	24	26	31
General staff	–	1,446	2,595	3,385
Average training hours by gender				
Male	hours	2.56	0.8	1.20
Female	hours	1.73	0.8	1.20
Average training hours by employee category				
Management	hours	0.88	0.8	1.20
General staff	hours	2.06	0.8	1.20
Total number of suppliers	–	165	147	139
By geographical region				
Hong Kong	–	106	108	107
Mainland China	–	54	35	29
Others	–	5	4	3

[2] Data on training and development only cover the manufacturing facility and warehouse at Gao Bu.

	Unit	FY2020	FY2019	FY2018
Energy consumption[3]				
Direct energy consumption	MWh	123.76	247.33	461.97
– Unleaded petrol	MWh	123.76	241.89	303.82
– Diesel oil	MWh	0	5.44	158.15
Indirect energy consumption	MWh	8,428.47	10,767.85	14,883.94
– Purchased electricity	MWh	8,357.78	10,679.12	14,800.74
– Towngas	MWh	70.69	88.73	83.20
Total energy consumption	MWh	8,552.23	11,015.18	15,345.91
Intensity	MWh/million HKD sales	34.77	31.39	29.53
Paper consumption				
Office paper	tonnes	3.55	4.23	5.86
Intensity	tonnes/million HKD sales	0.014	0.012	0.011
Packaging materials				
Carton box	tonnes	244.85	554.18	1,894.83
Plastic	tonnes	–	–	3.84
Paper	tonnes	183.53	248.88	781.98
Total	tonnes	428.38	803.06	2,680.65
Intensity	tonnes/million HKD sales	1.74	2.29	5.16
Waste generation				
Hazardous waste				
– Waste thinner[4]	liters	–	–	1,800.00
Intensity	liters/million HKD sales	–	–	4.62
– Chemical waste	tonnes	1.00	3.46	1.00
Intensity	tonnes/million HKD sales	0.004	0.01	0.002
Non-hazardous waste[5]	tonnes	28.69	83.68	202.32
– Waste paper	tonnes	24.91	71.47	179.72
– Food waste	tonnes	–	–	0.24
– Waste plastic	tonnes	3.78	12.21	22.36
Intensity	tonnes/million HKD sales	0.12	0.24	0.39

3 Our energy consumption is fixed operation usage for office and manufacturing facilities. The increase in energy intensity is mainly due to the decreases in sales.

4 For waste thinner, the measurement unit is liters for FY2018 as no information on weight is available. FY2019's and FY2020's waste thinner weight figures are included in chemical waste weight figure.

5 FY2018's and FY2019's non-hazardous waste figures are restated to reflect the actual situation due to the change of measurement methodology.

Environmental, Social & Governance Report *(Continued)*

	Unit	FY2020	FY2019	FY2018
Water resources[6]				
Freshwater consumption	m^3	127,316.00	128,916.00	386,909.00
Intensity	m^3/million HKD sales	517.67[7]	367.34	744.62
Wastewater discharge	m^3	9,187.27	6,224.04	7,004.48
Intensity	m^3/million HKD sales	37.36	17.74	13.48
Greenhouse gas emissions[8]				
Scope 1[9]	tCO_2e	208.22	203.68	202.32
Scope 2[10]	tCO_2e	5,982.26	7,943.03	11,787.19
Total	tCO_2e	6,190.48	8,146.71	11,989.51
Intensity	tCO_2e/million HKD sales	25.17	23.21	23.07
Air emissions[11]				
Nitrogen oxides	kg	7.03	20.22	93.70
Sulphur oxides	kg	0.20	0.41	0.75
Particulate matter	kg	0.44	1.48	11.86

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6 FY2019's figures on freshwater consumption and wastewater discharge are restated to reflect the actual situation due to the change of measurement methodology.

7 The increase in water usage intensity is mainly due to the replacement and subsequent rework of three chillers in FY2020, which consumed extra water.

8 The GHG emission is calculated based on the "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx and international standards such as ISO 14064 and GHG Protocol.

9 Scope 1 represents direct GHG emissions generated by the use of towngas, unleaded petrol and refrigerant.

10 Scope 2 represents energy indirect GHG emissions generated by the use of towngas and electricity.

11 Air emissions include the emissions generated by the use of towngas and vehicle fuels.

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
Aspect A Environmental		
A1 Emission	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	Responsible to The Environment – Waste Management, Air Emission Control, Energy Efficiency & Greenhouse Gas Emissions
KPI A1.1	The types of emissions and respective emissions data.	Responsible to The Environment – Air Emission Control Performance Data Summary
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Responsible to The Environment – Energy Efficiency & Greenhouse Gas Emissions Performance Data Summary
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Responsible to The Environment – Waste Management Performance Data Summary
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Responsible to The Environment – Waste Management Performance Data Summary

Environmental, Social & Governance Report *(Continued)*

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Responsible to The Environment – Air Emission Control, Energy Efficiency & Greenhouse Gas Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Responsible to The Environment – Waste Management
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Responsible to The Environment – Energy Efficiency & Greenhouse Gas Emissions, Use of Materials, Water Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Responsible to The Environment – Energy Efficiency & Greenhouse Gas Emissions Performance Data Summary
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Responsible to The Environment – Water Resources Performance Data Summary
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Responsible to The Environment – Energy Efficiency & Greenhouse Gas Emissions

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Responsible to The Environment – Water Resources
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	Responsible to The Environment – Use of Materials Performance Data Summary
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Responsible to The Environment – Minimizing Environmental Impacts
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Responsible to The Environment – Minimizing Environmental Impacts
Aspect B Social		
B1 Employment	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	A Responsible Employer – Employment Practices
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	A Responsible Employer – Employment Practices Performance Data Summary

Environmental, Social & Governance Report *(Continued)*

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	A Responsible Employer – Employment Practices Performance Data Summary
B2 Health and Safety	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impacts on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	A Responsible Employer – Occupational Health & Safety
KPI B2.1	Number and rate of work-related fatalities.	A Responsible Employer – Occupational Health & Safety Performance Data Summary
KPI B2.2	Lost days due to work injury.	A Responsible Employer – Occupational Health & Safety Performance Data Summary
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	A Responsible Employer – Occupational Health & Safety
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	A Responsible Employer – Staff Development Performance Data Summary

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	A Responsible Employer – Staff Development Performance Data Summary
KPI B3.2	The average training hours completed per employee by gender and employee category.	A Responsible Employer – Staff Development Performance Data Summary
B4 Labour Standard	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	A Responsible Employer – Child & Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	A Responsible Employer – Child & Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	A Responsible Employer – Child & Forced Labour
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	A Responsible Producer – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	A Responsible Producer – Supply Chain Management Performance Data Summary
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Not applicable

Environmental, Social & Governance Report *(Continued)*

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
B6 Product Responsibility	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	A Responsible Producer – Product Responsibility, Customer Privacy & Intellectual Property Rights
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	A Responsible Producer – Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	A Responsible Producer – Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	A Responsible Producer – Customer Privacy & Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	A Responsible Producer – Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	A Responsible Producer – Customer Privacy & Intellectual Property Rights

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
B7 Anti-corruption	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	A Responsible Producer – Business Conduct
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	A Responsible Producer – Business Conduct
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	A Responsible Producer – Business Conduct
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	A Responsible Producer – Community Involvement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Not applicable
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Not applicable

Independent Auditor's Report

KPMG

to the shareholders of Kader Holdings Company Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Kader Holdings Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 68 to 166 which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

KEY AUDIT MATTERS (CONTINUED)

Valuation of investment properties

Refer to note 11 to the consolidated financial statements and note 1(g) to the accounting policies.

The Key Audit Matter

At 31 December 2020 the Group held investment properties, which comprised an industrial building located in Hong Kong, with a fair value of HK$1,986 million and which accounted for 72% of the Group's total assets at that date.

The fair value of the investment properties at 31 December 2020 was assessed by the directors primarily based on an independent valuation report prepared by a firm of qualified external property valuers.

The net change in fair value of investment properties recorded in the consolidated statement of profit or loss amounted to HK$43 million for the year ended 31 December 2020.

We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the change in the fair value of investment properties to the Group's loss for the year and because the valuation of investment properties can be inherently subjective and requires significant judgements and estimates, particularly in selecting the appropriate valuation methodology, capitalisation rates and market rents.

How the matter was addressed in our audit

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

- obtaining and inspecting the valuation report prepared by the external property valuers engaged by management and on which the directors' assessment of the fair value of investment properties was based;

- assessing the external property valuers' qualifications, experience and expertise in the location and type of property subject to valuation and considering their objectivity and independence;

- with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology with reference to the requirements of the prevailing accounting standards and challenging the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data and by utilising the industry knowledge and experience of our internal property valuation specialists; and

- comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis.

Independent Auditor's Report *(Continued)*

KEY AUDIT MATTERS (CONTINUED)

Potential impairment of property, plant and equipment in the toys and model trains segment

Refer to note 11 to the consolidated financial statements and note 1(h) to the accounting policies.

The Key Audit Matter

The carrying value of the Group's other property, plant and equipment amounted to HK$211 million at 31 December 2020. The Group's other property, plant and equipment principally comprised land and buildings together with plant and equipment used in the toys and model trains segment of the Group.

In view of the losses sustained in the toys and model trains segment, management considered that there is a risk that the carrying value of these assets may not be fully recoverable through future cash flows to be generated from operations or from their disposal and determined that an impairment assessment of these assets was required.

The recoverable amount of property, plant and equipment relating to the toys and model trains segment is determined by management based on the value in use of these assets. Management prepared a discounted cash flow forecast, taking into consideration subjective factors such as the discount rate, future revenue, future margins and future cost growth rates. The net present value of the cash flow forecast was compared with the carrying value of the cash generating unit ("CGU") to which the relevant property, plant and equipment was allocated to determine whether any impairment loss should be recognised.

We identified the potential impairment of property, plant and equipment in the toys and model trains segment of the Group as a key audit matter because determining the level of impairment, if any, involves a significant degree of management judgement, particularly in forecasting future cash flows and in determining the discount rate applied in the impairment assessment, both of which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of property, plant and equipment in the toys and model trains segment included the following:

- evaluating management's identification of the CGU which comprised the toys and model trains segment and the allocation of assets to that CGU;

- with the assistance of our internal valuation specialists, assessing the methodology adopted in the preparation of the discounted cash flow forecast by management, with reference to the requirements of the prevailing accounting standards, and whether the discount rate adopted in the discounted cash flow forecast was within the normal range of those of comparable entities;

- comparing the most significant inputs used in the discounted cash flow forecast, including future revenue, future margins and future cost growth rates to the historical performance of the CGU and publicly available industry reports, taking into account recent developments in the toys and model trains sector, the Group's future business plans and the financial budget which was approved by the directors;

- comparing the relevant revenue and operating costs included in the discounted cash flow forecast prepared by management in the prior year with the current year's actual performance to assess the accuracy of the prior year's forecast and making enquiries of management as to the reasons for any significant variations identified; and

- obtaining from management sensitivity analyses of both revenue and the discount rate and assessing the impact of changes in these key assumptions on the conclusions reached in the impairment assessment and whether there were any indicators of management bias.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report *(Continued)*

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with 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.

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

- 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 Sylvene Fong.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020** **HK$'000**	2019 HK$'000
Revenue	3, 10	**372,293**	444,147
Other revenue and other net income/(loss)	4	**29,133**	(23,613)
Changes in inventories of finished goods and work in progress		**(32,843)**	(16,544)
Cost of purchase of finished goods		**(36,243)**	(8,462)
Raw materials and consumables used		**(28,039)**	(80,500)
Staff costs	5(b)	**(158,256)**	(187,898)
Depreciation	11	**(33,618)**	(35,446)
Other operating expenses	5(c)	**(123,694)**	(115,533)
Loss from operations		**(11,267)**	(23,849)
Finance costs	5(a)	**(9,865)**	(12,387)
Share of profits less losses of associates	14	**(41,851)**	(25,331)
Impairment loss of loans to an associate		**(4,169)**	(3,025)
(Deficit)/surplus on revaluation of investment properties	11	**(43,059)**	51,532
Loss before taxation	5	**(110,211)**	(13,060)
Income tax credit/(expense)	6	**715**	(981)
Loss for the year		**(109,496)**	(14,041)
Attributable to:			
Equity shareholders of the Company		**(110,366)**	(14,364)
Non-controlling interests		**870**	323
Loss for the year		**(109,496)**	(14,041)
Loss per share	9		
Basic		**(11.61)¢**	(1.51)¢
Diluted		**(11.61)¢**	(1.51)¢

The notes on pages 75 to 166 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 27(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Loss for the year		**(109,496)**	(14,041)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK$Nil tax		**(1,018)**	3,841
Release of exchange reserve upon deregistration of subsidiaries	*4*	**–**	40,673
Total comprehensive income for the year		**(110,514)**	30,473
Attributable to:			
Equity shareholders of the Company		**(111,610)**	30,209
Non-controlling interests		**1,096**	264
Total comprehensive income for the year		**(110,514)**	30,473

The notes on pages 75 to 166 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020
(Expressed in Hong Kong dollars)

	Note	At 31 December 2020 HK$'000	At 31 December 2019 HK$'000
Non-current assets			
Investment properties	11	**1,985,510**	2,007,898
Other property, plant and equipment	11	**211,412**	225,532
		2,196,922	2,233,430
Intangible assets	12	**419**	366
Interest in associates	14	**55,372**	82,855
Other financial assets	16	**41,499**	24,955
Deposits and prepayments	15	**8,855**	2,028
Deferred tax assets	24(b)	**6,272**	9,709
		2,309,339	2,353,343
Current assets			
Other financial assets	16	**5,000**	5,000
Trading securities	17	**14,047**	7,892
Inventories	18(a)	**202,633**	239,679
Current tax recoverable	24(a)	**208**	7,088
Loans to an associate	14	**39,699**	23,709
Trade and other receivables	19	**110,712**	129,210
Cash and cash equivalents	20(a)	**88,964**	107,978
		461,263	520,556
Current liabilities			
Trade and other payables and contract liabilities	21	**126,969**	119,662
Bank loans	22	**324,351**	323,733
Lease liabilities	23	**9,229**	10,194
Current tax payable	24(a)	**35,697**	20,799
		496,246	474,388
Net current (liabilities)/assets		**(34,983)**	46,168

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2020
(Expressed in Hong Kong dollars)

	Note	At 31 December 2020 HK$'000	At 31 December 2019 HK$'000
Total assets less current liabilities		**2,274,356**	2,399,511
Non-current liabilities			
Lease liabilities	*23*	**45,093**	55,412
Rental deposits	*25*	**3,623**	3,615
Deferred tax liabilities	*24(b)*	**20,067**	24,377
Accrued employee benefits	*26*	**18**	38
		68,801	83,442
NET ASSETS		**2,205,555**	2,316,069
CAPITAL AND RESERVES			
Share capital	*27(c)*	**95,059**	95,059
Reserves		**2,106,674**	2,218,284
Total equity attributable to equity shareholders of the Company		**2,201,733**	2,313,343
Non-controlling interests		**3,822**	2,726
TOTAL EQUITY		**2,205,555**	2,316,069

Approved and authorised for issue by the Board of Directors on 30 March 2021.

Kenneth Ting Woo-shou
Director

Nancy Ting Wang Wan-sun
Director

The notes on pages 75 to 166 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Land and buildings revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2019		95,059	185,138	10,815	173,397	(66,073)	62,667	1,831,637	2,292,640	2,462	2,295,102
Changes in equity for 2019:											
Loss for the year		–	–	–	–	–	–	(14,364)	(14,364)	323	(14,041)
Other comprehensive income		–	–	–	–	44,573	–	–	44,573	(59)	44,514
Total comprehensive income		–	–	–	–	44,573	–	(14,364)	30,209	264	30,473
Dividends approved in respect of the previous year	27(b)(ii)	–	–	–	–	–	–	(9,506)	(9,506)	–	(9,506)
Balance at 31 December 2019 and 1 January 2020		**95,059**	**185,138**	**10,815**	**173,397**	**(21,500)**	**62,667**	**1,807,767**	**2,313,343**	**2,726**	**2,316,069**
Changes in equity for 2020:											
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(110,366)**	**(110,366)**	**870**	**(109,496)**
Other comprehensive income		**–**	**–**	**–**	**–**	**(1,244)**	**–**	**–**	**(1,244)**	**226**	**(1,018)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(1,244)**	**–**	**(110,366)**	**(111,610)**	**1,096**	**(110,514)**
Balance at 31 December 2020		**95,059**	**185,138**	**10,815**	**173,397**	**(22,744)**	**62,667**	**1,697,401**	**2,201,733**	**3,822**	**2,205,555**

The notes on pages 75 to 166 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Operating activities			
Cash generated from operations	20(b)	**77,565**	55,024
Tax paid:			
Hong Kong Profits Tax paid		**(563)**	(6,067)
Hong Kong Profits Tax refunded		**21,072**	–
Tax outside Hong Kong paid		**(205)**	(8,918)
Net cash generated from operating activities		**97,869**	40,039
Investing activities			
Payment for the purchase of other property, plant and equipment		**(59,397)**	(54,615)
Proceeds from sale of other property, plant and equipment		**53**	1,848
Payment for the purchase of intangible assets		**(87)**	–
(Increase)/decrease in non-current deposits and prepayments		**(6,827)**	12,680
Payment for purchase of other financial assets		**(15,567)**	(12,872)
Proceeds from sale of other financial assets		**–**	2,949
Payment for purchase of trading securities		**(16,197)**	(12,656)
Proceeds from sale of trading securities		**13,777**	17,610
Interest received		**3,050**	2,191
Increase in amounts due from associates		**(8)**	(13)
Loans advanced to an associate		**(20,159)**	(14,492)
Loans repaid from an associate		**–**	5,935
Net cash used in investing activities		**(101,362)**	(51,435)

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Financing activities			
Capital element of lease rentals paid	20(c)	**(8,641)**	(9,995)
Interest element of lease rentals paid	20(c)	**(2,260)**	(2,981)
Proceeds from new bank loans	20(c)	**592,633**	484,620
Repayment of bank loans	20(c)	**(592,015)**	(429,264)
Other borrowing costs paid	20(c)	**(7,605)**	(9,406)
Dividend paid to equity shareholders of the Company	27	**–**	(9,506)
Net cash (used in)/generated from financing activities		**(17,888)**	23,468
Net (decrease)/increase in cash and cash equivalents		**(21,381)**	12,072
Cash and cash equivalents at 1 January		**107,978**	95,886
Effect of foreign exchange rate changes		**2,367**	20
Cash and cash equivalents at 31 December	20(a)	**88,964**	107,978

The notes on pages 75 to 166 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see note 1(g)); and

– debt and equity investments (see note 1(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.

The Group recorded net current liabilities of HK$34,983,000 as compared to net current assets of HK$46,168,000 as at 31 December 2019. Despite the net current liabilities as at 31 December 2020, the Group's cash and cash equivalents amounted to HK$88,964,000 (2019: HK$107,978,000) on the same day and the Group recorded net cash generated from operating activities of HK$97,869,000 (2019: HK$40,039,000) during the year ended 31 December 2020. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 31 December 2020 and the unutilised banking facilities of HK$418,662,000, the directors are of the opinion that anticipated cash flows generated from the Group's operations can strengthen the Group's financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2020. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries and non-controlling interests *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

In the Company's statement of financial position, an interest in a subsidiary is stated at cost less any impairment losses (see note 1(k)(ii)).

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable) (see note 1(k)(i)).

Notes to the Financial Statements *(Continued)*

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Associates *(continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(k)(ii)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investment other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(iii)).

– fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Other investments in debt and equity securities *(continued)*

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(u)(ii).

(h) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)):

– ownership interests in land and buildings held for own use;

– other properties leased for own use (see note 1(j)); and

– other items of plant and equipment, including right-of-use assets arising from leases of underlying equipment (see note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Other property, plant and equipment *(continued)*

If ownership interests in land and buildings held for own use becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at that date of transfer is recognised in profit or loss and other comprehensive income and accumulated in land and buildings revaluation reserve. On subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write-off the cost or valuation of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

(i) Ownership interests in land and buildings held for own use and other properties leased for own use are depreciated over the unexpired term of lease.

(ii) Freehold land is not depreciated.

(iii) Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after date of completion.

(iv) Other items of plant and equipment, including right-of-use assets arising from leases of underlying equipment, are at the following rates:

Plant and machinery	20% to 25% per annum
Furniture and fixtures	20% to 25% per annum
Moulds and tools	10% to 30% per annum
Motor vehicles and pleasure craft	10% to 30% per annum

Where parts of an item of other property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)(ii)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Club memberships	20 years
– Licensing rights	3 to 5 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. 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. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Leased assets *(continued)*

(i) As a lessee (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(k)(ii)), except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(g).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Leased assets *(continued)*

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

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. The rental income from operating leases is recognised in accordance with note 1(u)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to an associate).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Measurement of ECLs *(continued)*

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease-receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loans to an associate), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling) for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(u)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

Write-off policy

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

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets (other than investment property carried at revalued amounts);

– intangible assets;

– goodwill;

– interest in associates; and

– interest in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(k)(i).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(u)(i)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Notes to the Financial Statements *(Continued)*

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in profit or loss and other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in profit or loss and other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to interest in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Provisions and contingent liabilities

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

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

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Revenue and other income *(continued)*

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(k)(i)).

(iv) Air-conditioning, management and maintenance service charges from tenants

Air-conditioning, management and maintenance service charges from tenants are recognised when the related services are rendered.

(v) Material charges

Material charges are recognised when the right to receive payment is established.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Notes to the Financial Statements *(Continued)*

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in profit or loss and other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

(2) An entity is related to the Group if any of the following conditions applies:

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of 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 (1).

(vii) A person identified in (1)(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).

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

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

Notes to the Financial Statements *(Continued)*

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Segment reporting

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

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

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendment to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

- Amendment to HKFRS 16, *Covid-19-Related Rent Concession*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

3 REVENUE

The principal activities of the Group are the manufacture and sale of plastic, electronic and stuffed toys and model trains, property investment and investment holding.

Disaggregation of revenue from contracts with customers by significant category of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of goods	**327,982**	403,809
Revenue from other sources		
– Gross rentals from investment properties that the lease payments are fixed	**44,311**	40,338
	372,293	444,147

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 10(c).

The Group's customer base is diversified and includes one (2019: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2020, revenue from sales of toys and model trains to this customer (2019: one), including sales to entities which are known to the Group to be under common control of this customer, amounted to approximately HK$56,748,000 (2019: HK$128,555,000) and arose in the North America (2019: North America) geographical region in which the toys and model trains division is active. Details of concentrations of credit risk arising from this customer are set out in note 28(a).

Further details regarding the Group's principal activities are disclosed in note 10 to these financial statements.

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2020 HK$'000	2019 HK$'000
Other revenue		
Interest income from loans to an associate	**2,609**	1,593
Other interest income	**441**	608
Air conditioning, management and maintenance service charges from tenants	**5,290**	4,780
Gain on lease modifications	**255**	102
Government grants *(note (i))*	**5,696**	–
Material charges	**817**	478
Written back of trade and other payables	**–**	3,455
Sundry income	**3,366**	3,466
	18,474	14,482
Other net income/(loss)		
Net gain on disposal of other property, plant and equipment	**38**	678
Net exchange gain/(loss)	**6,187**	(1,222)
Net realised and unrealised gain on trading securities	**3,597**	1,223
Net realised and unrealised gain on other financial assets	**837**	1,899
Loss on deregistration of subsidiaries*	**–**	(40,673)
	10,659	(38,095)
	29,133	(23,613)

* In 2019, upon the deregistration of Sanda Kan Industrial (Dongguan) Company Limited and Sanda Kan Technology (Shenzhen) Company Limited, subsidiaries of the Group, which had no business activities conducted and did not have any assets and liabilities at the time of deregistration, the corresponding exchange reserve in relation to these subsidiaries of HK$40,673,000 was released and recognised in profit or loss for the year. There was no tax effect on this item.

(i) In 2020, the Group successfully applied for funding support both from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region ("the HKSAR") and the Coronavirus Job Retention Scheme, set up by the United Kingdom Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend and funding on paying wages to the employees.

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2020 HK$'000	2019 HK$'000
(a) Finance costs		
Interest on bank loans and other borrowings *(note 20(c))*	**7,605**	9,406
Interest on lease liabilities *(note 20(c))*	**2,260**	2,981
	9,865	12,387
(b) Staff costs		
Salaries, wages and other benefits	**144,851**	169,693
Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK$Nil (2019: HK$9,000)	**13,405**	18,205
	158,256	187,898
(c) Other operating expenses		
Other operating expenses for the year included:		
Amortisation of intangible assets *(note 12)*	**34**	33
Addition/(reversal) of impairment losses of		
– other property, plant and equipment *(note 11)*	**19,137**	27
– trade receivables *(note 28(a))*	**77**	(198)
– other receivables	**394**	(1,057)
Auditors' remuneration		
– audit services	**4,830**	4,473
– tax services	**45**	262
Advertising and promotion	**7,832**	9,663
Building management and security service fee	**4,060**	4,631
Entertainment	**2,026**	2,569
Fuel, electricity and water	**9,023**	12,154
Government rent and rates	**2,396**	2,820
Insurance	**3,986**	4,366
Legal and professional fee	**5,521**	4,339
Office supplies	**941**	1,447
Operating lease charges	**778**	544
Postage, telephone and fax	**2,263**	2,267
Product testing fee	**997**	1,899
Repair and maintenance	**11,129**	5,170
Research and development	**964**	903
Royalties, commission and sales service fee	**9,688**	8,084
Subcontracting fee	**17,033**	26,703
Tools and consumables	**1,678**	4,275
Transportation and travelling	**9,492**	11,151

Notes to the Financial Statements *(Continued)*

5 LOSS BEFORE TAXATION *(continued)*

	2020	2019
	HK$'000	*HK$'000*
(d) Other items		
Depreciation *(note 11)*		
– owned assets	**22,163**	22,172
– right-of-use assets	**11,455**	13,274
Cost of inventories *(note 18(b))*	**223,595**	272,303
Rental receivable from investment properties less direct outgoings of HK$5,316,000 (2019: HK$5,880,000)	**(38,995)**	(34,458)

Cost of inventories includes HK$81,827,000 (2019: HK$105,151,000) relating to staff costs, depreciation charges, impairment loss in respect of other property, plant and equipment and lease expenses, which amount is also included in the respective total amounts disclosed separately above and in the consolidated statement of profit or loss for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**42**	208
Over-provision in respect of prior years	**(20)**	(20)
	22	188
Current tax – Outside Hong Kong		
Provision for the year	**145**	2,300
(Over)/under-provision in respect of prior years	**(19)**	975
	126	3,275
Deferred tax *(note 24(b))*		
Origination and reversal of temporary differences	**(863)**	(2,482)
	(715)	981

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

The Corporate Income Tax ("CIT") rate applicable to subsidiaries registered in the People's Republic of China ("PRC") is 25% (2019: 25%).

The Corporation tax rates applicable to the Group's operations in the United Kingdom (the "UK") and the United States (the "US") are 19% (2019: 19%) and 21% (2019: 21%) respectively.

Taxation for other subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(b) Reconciliation between tax (credit)/expense and accounting loss at applicable tax rates:

	2020	2019
	HK$'000	*HK$'000*
Loss before taxation	**(110,211)**	(13,060)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**(6,122)**	10,309
Tax effect of non-deductible expenses	**13,921**	14,289
Tax effect of non-taxable income	**(9,850)**	(29,727)
Tax effect of previously unrecognised tax losses utilised	**(423)**	(25)
Tax effect of unused tax losses not recognised	**1,638**	4,789
Tax effect of other temporary difference not recognised	**63**	138
(Over-provision)/under-provision in prior years	**(39)**	955
Others	**97**	253
Actual tax (credit)/expense	**(715)**	981

7 DIRECTORS' EMOLUMENTS

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

	2020				
	Directors' fees *HK$'000*	**Salaries, allowances and benefits in kind** *HK$'000*	**Discretionary bonuses** *HK$'000*	**Retirement scheme contributions** *HK$'000*	**Total** *HK$'000*
Executive directors:					
Kenneth Ting Woo-shou	100	600	–	60	760
Nancy Ting Wang Wan-sun	80	–	–	–	80
Ivan Ting Tien-li	70	1,500	–	150	1,720
Non-executive director:					
Bernie Ting Wai-cheung	80	–	–	–	80
Independent non-executive directors:					
Floyd Chan Tsoi-yin	120	–	–	–	120
Andrew Yao Cho-fai	120	–	–	–	120
Desmond Chum Kwan-yue	120	–	–	–	120
Sabrina Chao Sih-ming	90	–	–	–	90
	780	2,100	–	210	3,090

Notes to the Financial Statements *(Continued)*

7 DIRECTORS' EMOLUMENTS *(continued)*

	2019				
	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:					
Kenneth Ting Woo-shou	100	1,080	–	108	1,288
Nancy Ting Wang Wan-sun	80	–	500	–	580
Ivan Ting Tien-li	70	1,485	120	149	1,824
Non-executive directors:					
Moses Cheng Mo-chi	23	–	–	–	23
Bernie Ting Wai-cheung	80	–	–	–	80
Independent non-executive directors:					
Floyd Chan Tsoi-yin	120	–	–	–	120
Andrew Yao Cho-fai	120	–	–	–	120
Desmond Chum Kwan-yue	120	–	–	–	120
Ronald Montalto	30	–	–	–	30
Sabrina Chao Sih-ming	45	–	–	–	45
	788	2,565	620	257	4,230

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2019: one) is director whose emolument is set out in note 7. The aggregate of the emoluments in respect of the other four (2019: four) individuals are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries and other emoluments	**7,859**	7,614
Retirement scheme contributions	**36**	166
	7,895	7,780

The emoluments of the four (2019: four) individuals with the highest emoluments are within the following bands:

	2020	2019
	Number of individuals	Number of individuals
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$110,366,000 (2019: HK$14,364,000) and the weighted average of 950,588,000 ordinary shares (2019: 950,588,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The Company did not have dilutive potential ordinary shares outstanding during both 2020 and 2019. Accordingly, the diluted loss per share is the same as the basic loss per share for both 2020 and 2019.

10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Toys and model trains:	The manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are manufactured in the Group's manufacturing facilities located in Mainland China.
Property investment:	The leasing of office premises and industrial building to generate rental income and to gain from the appreciation in the properties' value in the long term.
Investment holding:	The investment in securities.

10 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of intangible assets, interest in associates, deferred tax assets, current tax recoverable, cash and cash equivalents, loans to an associate and other corporate assets. Segment liabilities include all liabilities with the exception of amount due to an associate, current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Financial Statements *(Continued)*

10 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	Toys and model trains		Property investment		Investment holding		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**327,982**	403,809	**44,311**	40,338	**–**	–	**372,293**	444,147
Inter-segment revenue	**–**	–	**1,858**	1,858	**–**	–	**1,858**	1,858
Reportable segment revenue	**327,982**	403,809	**46,169**	42,196	**–**	–	**374,151**	446,005
Reportable segment (loss)/ profit (adjusted EBITDA)	**(38,036)**	10,288	**34,912**	28,779	**(3,624)**	(3,824)	**(6,748)**	35,243
Interest income	**86**	145	**–**	–	**2,964**	2,056	**3,050**	2,201
Interest expenses	**(9,865)**	(12,387)	**–**	–	**–**	–	**(9,865)**	(12,387)
Depreciation and amortisation for the year	**(33,454)**	(35,371)	**–**	(9)	**(198)**	(99)	**(33,652)**	(35,479)
Reportable segment assets	**523,299**	584,877	**2,002,121**	2,030,291	**385,486**	366,538	**2,910,906**	2,981,706
Additions to non-current segment assets during the year	**36,821**	32,977	**23,078**	22,020	**15,567**	13,533	**75,466**	68,530
Reportable segment liabilities	**758,777**	783,943	**43,661**	43,187	**4,797**	6,111	**807,235**	833,241

10 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2020 HK$'000	2019 HK$'000
Revenue		
Reportable segment revenue	**374,151**	446,005
Elimination of inter-segment revenue	**(1,858)**	(1,858)
Consolidated revenue *(note 3)*	**372,293**	444,147
Profit		
Reportable segment (loss)/profit	**(6,748)**	35,243
Elimination of inter-segment profit	**–**	–
Reportable segment (loss)/profit derived from the Group's external customers	**(6,748)**	35,243
Other revenue and other net income/(loss)	**29,133**	(23,613)
Depreciation and amortisation	**(33,652)**	(35,479)
Finance costs	**(9,865)**	(12,387)
Share of profits less losses of associates	**(41,851)**	(25,331)
Impairment loss of loans to an associate	**(4,169)**	(3,025)
(Deficit)/surplus on revaluation of investment properties	**(43,059)**	51,532
Consolidated loss before taxation	**(110,211)**	(13,060)
Assets		
Reportable segment assets	**2,910,906**	2,981,706
Elimination of inter-segment receivables	**(331,238)**	(339,512)
	2,579,668	2,642,194
Intangible assets	**419**	366
Interest in associates	**55,372**	82,855
Loans to an associate	**39,699**	23,709
Current tax recoverable	**208**	7,088
Deferred tax assets	**6,272**	9,709
Cash and cash equivalents	**88,964**	107,978
Consolidated total assets	**2,770,602**	2,873,899

10 SEGMENT REPORTING *(continued)*

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities *(continued)*

	2020	2019
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**807,235**	833,241
Elimination of inter-segment payables	**(331,238)**	(339,512)
	475,997	493,729
Amount due to an associate	**33,286**	18,925
Current tax payable	**35,697**	20,799
Deferred tax liabilities	**20,067**	24,377
Consolidated total liabilities	**565,047**	557,830

10 SEGMENT REPORTING *(continued)*

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, non-current deposits and prepayments and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and the location of operations, in the case of interest in associates.

	Revenue from external customers		**Specified non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**44,665**	41,104	**2,045,454**	2,078,445
Mainland China	**1,810**	2,232	**72,355**	84,046
North America	**197,296**	262,866	**98,049**	111,758
Europe	**128,153**	137,179	**31,916**	33,044
Others	**369**	766	**13,794**	11,386
	327,628	403,043	**216,114**	240,234
	372,293	444,147	**2,261,568**	2,318,679

Notes to the Financial Statements *(Continued)*

11 PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use carried at cost		Other properties leased for own use carried at cost	Other items of plant and equipment		Investment properties	
	In Hong Kong	Outside Hong Kong			Sub-total	In Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:							
At 1 January 2019	71,146	36,487	75,100	705,190	887,923	1,945,733	2,833,656
Exchange adjustments	–	376	(1,093)	389	(328)	–	(328)
Additions	–	12,017	761	32,247	45,025	10,633	55,658
Disposals	–	–	(4,486)	(22,943)	(27,429)	–	(27,429)
Surplus on revaluation	–	–	–	–	–	51,532	51,532
At 31 December 2019	71,146	48,880	70,282	714,883	905,191	2,007,898	2,913,089
Representing							
Cost	71,146	48,880	70,282	714,883	905,191	–	905,191
Valuation – 2019	–	–	–	–	–	2,007,898	2,007,898
	71,146	48,880	70,282	714,883	905,191	2,007,898	2,913,089
At 1 January 2020	**71,146**	**48,880**	**70,282**	**714,883**	**905,191**	**2,007,898**	**2,913,089**
Exchange adjustments	**–**	**563**	**4,079**	**6,619**	**11,261**	**–**	**11,261**
Additions	**–**	**3,398**	**–**	**35,830**	**39,228**	**20,671**	**59,899**
Disposals	**–**	**–**	**(8,586)**	**(5,941)**	**(14,527)**	**–**	**(14,527)**
Transfer	**–**	**31**	**–**	**(31)**	**–**	**–**	**–**
Deficit on revaluation	**–**	**–**	**–**	**–**	**–**	**(43,059)**	**(43,059)**
At 31 December 2020	**71,146**	**52,872**	**65,775**	**751,360**	**941,153**	**1,985,510**	**2,926,663**
Representing							
Cost	**71,146**	**52,872**	**65,775**	**751,360**	**941,153**	**–**	**941,153**
Valuation – 2020	**–**	**–**	**–**	**–**	**–**	**1,985,510**	**1,985,510**
	71,146	**52,872**	**65,775**	**751,360**	**941,153**	**1,985,510**	**2,926,663**

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Ownership interests in land and buildings held for own use carried at cost		Other properties leased for own use carried at cost	Other items of plant and equipment		Investment properties	
	In Hong Kong	Outside Hong Kong			Sub-total	In Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment:							
At 1 January 2019	16,223	21,012	–	629,392	666,627	–	666,627
Exchange adjustments	–	200	(210)	(114)	(124)	–	(124)
Charge for the year *(note 5(d))*	1,951	712	10,999	21,784	35,446	–	35,446
Impairment loss *(note 5(c))*	–	–	–	27	27	–	27
Written back on disposals	–	–	(544)	(21,773)	(22,317)	–	(22,317)
At 31 December 2019	18,174	21,924	10,245	629,316	679,659	–	679,659
At 1 January 2020	**18,174**	**21,924**	**10,245**	**629,316**	**679,659**	**–**	**679,659**
Exchange adjustments	**–**	**305**	**1,014**	**4,357**	**5,676**	**–**	**5,676**
Charge for the year *(note 5(d))*	**1,951**	**721**	**9,045**	**21,901**	**33,618**	**–**	**33,618**
Written back on disposals	**–**	**–**	**(2,423)**	**(5,926)**	**(8,349)**	**–**	**(8,349)**
Impairment loss *(note 5(c))*	**–**	**–**	**5,352**	**13,785**	**19,137**	**–**	**19,137**
Transfer	**(269)**	**(1)**	**–**	**270**	**–**	**–**	**–**
At 31 December 2020	**19,856**	**22,949**	**23,233**	**663,703**	**729,741**	**–**	**729,741**
Net book value:							
At 31 December 2020	**51,290**	**29,923**	**42,542**	**87,657**	**211,412**	**1,985,510**	**2,196,922**
At 31 December 2019	52,972	26,956	60,037	85,567	225,532	2,007,898	2,233,430

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Impairment loss of property, plant and equipment

During the year ended 31 December 2020, the Group's management identified that the toys and model trains segment, classified as a cash generating unit ("the CGU") of the Group, had under-performed and estimated the recoverable amounts of the CGU. Based on these estimates, the carrying amount of right-of-use assets and other property plant and equipment was written down by HK$5,352,000 (2019: HK$Nil) and HK$13,785,000 (2019: HK$27,000) respectively. The recoverable amount of HK$81,029,000 (2019: HK$144,754,000) was estimated based on the value in use of the CGU, determined using a discount rate of 15.1% (2019: 15.4%).

(b) Fair value measurement of investment properties

	2020	2019
	HK$'000	*HK$'000*
Medium term leases at valuation:		
– In Hong Kong	**1,985,510**	2,007,898

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

(i) Fair value hierarchy (continued)

	Fair value as at 31 December 2020	**Fair value measurements as at 31 December 2020 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements				
Investment properties:				
– Industrial – Hong Kong	**1,985,510**	**–**	**–**	**1,985,510**

	Fair value as at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Investment properties:				
– Industrial – Hong Kong	2,007,898	–	–	2,007,898

Notes to the Financial Statements *(Continued)*

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

(i) Fair value hierarchy (continued)

During the year ended 31 December 2020 (2019: HK$Nil), there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: HK$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2020. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable inputs	Range	Weighted average
Investment properties – Industrial – Hong Kong	Income capitalisation approach	Market rental value	HK$14.8 to 16.7/ sq. foot/month (2019: HK$14.8 to 16.5/sq. foot/ month)	HK$12.9/ sq. foot/month (2019: HK$14.3/ sq. foot/month)
		Capitalisation rate	N/A (2019: N/A)	3.60% (2019: 3.55%)
Investment properties – Industrial – Hong Kong	Direct comparison approach	Premium (discount) on quality of the buildings	(5%) to 5% (2019: (5%) to 5%)	0% (2019: 0%)

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Fair value measurement of investment properties *(continued)*

(ii) Information about Level 3 fair value measurements (continued)

The fair value of investment properties located in Hong Kong is determined on an open market value basis, by either making reference to the comparable sales evidence in the relevant locality, or otherwise, by capitalising the current rent derived from the existing tenancies with the provision for any reversionary income potential.

The capitalisation rate used in income capitalisation approach has been adjusted for the expected market rental growth, occupancy rate and quality and location of the buildings. The fair value measurement is positively correlated to the market rental value and negatively correlated to the risk-adjusted capitalisation rate.

The premium or discount used in direct comparison approach is specific to the building compared to the recent sales. High premium for higher quality buildings will result in a high fair value measurement.

The movements in the balance of these Level 3 fair value measurements during the year are as follows:

	2020	2019
	HK$'000	*HK$'000*
Investment properties		
– Industrial – Hong Kong:		
At 1 January	**2,007,898**	1,945,733
Additions	**20,671**	10,633
Fair value adjustment	**(43,059)**	51,532
At 31 December	**1,985,510**	2,007,898

Fair value adjustment of investment properties is recognised in the line item "(deficit)/ surplus on revaluation of investment properties" in the consolidated statement of profit or loss.

All the (losses)/gains recognised in profit and loss for the year arose from the properties held at the end of the reporting period.

Notes to the Financial Statements *(Continued)*

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	**2020** **HK$'000**	2019 HK$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in Hong Kong, with remaining lease term between 10 and 50 years	(i)	**51,290**	52,972
Other properties leased for own use, carried at depreciated cost	(ii)	**42,542**	60,037
Other items of plant and equipment, carried at depreciated cost	(iii)	**927**	856
		94,759	113,865
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of between 10 and 50 years		**1,985,510**	2,007,898
		2,080,269	2,121,763

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020	2019
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**1,951**	1,951
Other properties leased for own use	**9,045**	10,999
Plant and equipment	**459**	324
	11,455	13,274
Interest on lease liabilities *(note 5(a))*	**2,260**	2,981
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**778**	544
Gain on lease modifications	**255**	102
COVID-19-related rent concessions received	**(150)**	–
Impairment loss on right-of-use assets	**5,352**	–

During the year, additions to right-of-use assets were HK$21,169,000 (2019: HK$11,676,000). This amount included the additions of a leasehold property of HK$20,671,000 (2019: HK$10,633,000), and the remainder of HK$498,000 (2019: HK$1,043,000) related to the capitalised lease payments payable under new lease agreements of other items of plant and equipment.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(d) and 23, respectively.

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16*, Leases, Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period. Further details are disclosed in (ii) below.

Notes to the Financial Statements *(Continued)*

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds an industrial building for its toys business. The Group is the registered owner of the property interest, including the share in the underlying land. Lump sum payments were made upfront to acquire the right to use the property, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its offices, warehouses, staff quarters and factories through tenancy agreements. The leases typically run for an initial period of 2 to 15 years.

During 2020 the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments for the year is summarised below:

	2020		
	Fixed payments	**COVID-19 rent concessions**	**Total payments**
	HK$'000	***HK$'000***	***HK$'000***
Warehouses – PRC	**1,693**	**(150)**	**1,543**

	2019	
	Fixed payments	Total payments
	HK$'000	*HK$'000*
Warehouses – PRC	848	848

(iii) Other items of plant and equipment

The Group leases equipment under leases expiring from 2 to 6 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(d) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 year	**32,759**	21,188

(e) Secured assets

Investment properties and land and buildings of the Group with total carrying values of HK$1,827,110,000 (2019: HK$1,848,398,000) and HK$59,722,000 (2019: HK$60,949,000) respectively, were pledged to various banks to secure banking facilities granted to the Group (see note 22).

12 INTANGIBLE ASSETS

	Licensing HK$'000	Trademark HK$'000	Club membership HK$'000	Total HK$'000
Cost:				
At 1 January 2019	5,796	–	868	6,664
Exchange adjustments	129	–	–	129
At 31 December 2019	5,925	–	868	6,793
At 1 January 2020	**5,925**	**–**	**868**	**6,793**
Exchange adjustments	**185**	**–**	**–**	**185**
Additions	**–**	**87**	**–**	**87**
At 31 December 2020	**6,110**	**87**	**868**	**7,065**
Accumulated amortisation:				
At 1 January 2019	5,796	–	469	6,265
Exchange adjustments	129	–	–	129
Charge for the year	–	–	33	33
At 31 December 2019	5,925	–	502	6,427
At 1 January 2020	**5,925**	**–**	**502**	**6,427**
Exchange adjustments	**185**	**–**	**–**	**185**
Charge for the year	**–**	**–**	**34**	**34**
At 31 December 2020	**6,110**	**–**	**536**	**6,646**
Net book value:				
At 31 December 2020	**–**	**87**	**332**	**419**
At 31 December 2019	–	–	366	366

The amortisation charge for the year is included in "other operating expenses" in the consolidated statement of profit or loss.

13 INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by		Principal activities
				The Company	A subsidiary	
Apple Park Limited	Hong Kong	Hong Kong	1,000 shares	–	100%	Investment holding
Bachmann Asia Limited	Hong Kong	Hong Kong	2 shares	–	100%	Agent for sale of toys
Bachmann (China) Limited	PRC	Hong Kong	10,000 shares	–	100%	Trading of toys
Bachmann Trading (Shanghai) Limited	PRC	PRC	Registered capital RMB6,000,000	–	100%	Trading of toys
Bachmann Europe Plc	UK	UK	2,050,000 shares of £1 each	100%	–	Trading of toys
Bachmann Industries, Inc.	United States of America ("USA")	USA	4,010,100 shares of US$1 each	–	100%	Trading of toys
Deltahill Company Limited	Hong Kong	Hong Kong	100 shares and 1,001,000 non-voting deferred shares	–	100%	Provision of management services
Dongguan Feng Da Electronics Company Limited *(Note 1)*	PRC	PRC	Registered capital HK$8,000,000	–	100%	Manufacture of toys
Dongguan Hop Pong Precise Moulds Company Limited *(Note 2)*	PRC	PRC	Registered capital RMB4,800,000	–	52%	Manufacture and sale of moulds
Faith World Development Limited	Hong Kong	Hong Kong	1 share of HK$1	–	100%	Property development and investment

Notes to the Financial Statements *(Continued)*

13 INTEREST IN SUBSIDIARIES *(continued)*

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by: The Company	Proportion of ownership interest held by: A subsidiary	Principal activities
Great Hope Investment Limited	British Virgin Island ("BVI")	BVI	1 share of US$1	–	100%	Investment holding
Kader Industrial Company Limited	Hong Kong	Hong Kong	412,532,000 shares	100%	–	Manufacture and trading of toys, and property investment
K Cellars (Hong Kong) Limited	Hong Kong	Hong Kong	1,000 shares	–	100%	Sub-letting of wine cellar
Shanghai Pingbai Children Products Company Limited	PRC	PRC	Registered capital RMB5,000,000	–	100%	Trading of toys
Sanda Kan (Cayman III) Holdings Company Limited	Cayman Island	Cayman Island	1,000,000 shares of US$0.01 each	100%	–	Investment holding
Sanda Kan (Mauritius) Holdings Company Limited	The Republic of Mauritius	The Republic of Mauritius	100 shares of US$0.01 each	–	100%	Investment holding
Technic International Development Limited	Hong Kong	Hong Kong	1 share	–	100%	Investment holding
Wise Huge Investment Limited	Hong Kong	Hong Kong	1 share	100%	–	Investment holding

Notes:

1 The company is a wholly-owned foreign enterprise registered in the PRC.

2 The company is a co-operative joint venture registered in PRC.

14 INTEREST IN ASSOCIATES AND LOANS TO AN ASSOCIATE

	2020	2019
	HK$'000	*HK$'000*
Non-current assets		
Share of net assets	**15,211**	42,702
Amounts due from associates	**40,161**	40,153
	55,372	82,855
Current assets		
Loans to an associate	**48,052**	27,893
Less: impairment loss	**(8,353)**	(4,184)
	39,699	23,709

Amounts due from associates are unsecured, interest-free and repayable on demand. The Group does not intend to seek repayment thereof within 12 months of the end of the reporting period.

At 31 December 2020, loans to an associate amounting to HK$41,207,000 (2019: HK$23,657,000) are unsecured, interest-bearing at 5% per annum (2019: 5% to 15% per annum) and are repayable within one year. Interest receivable amounted to HK$6,845,000 (2019: HK$4,236,000) as at 31 December 2020.

14 INTEREST IN ASSOCIATES AND LOANS TO AN ASSOCIATE *(continued)*

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available.

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by a subsidiary	Held by an associate	Principal activities
Allman Holdings Limited	Incorporated	BVI	1,440 shares of US$1 each	36.1%	36.1%	–	Investment holding
Pacific Squaw Creek Inc.	Incorporated	USA	1,000 shares of US$1 each	36.1%	–	100.0%	Investment holding
RedwoodVentures Limited	Incorporated	Hong Kong	3,101,000 shares	45.5%	45.5%	–	Trading of toys
Squaw Creek Associates, LLC ("SCA")	Limited liability company	USA	Note	37.4%	15.0%	62.0%	Resort operation, and the sale and management of condominium apartments
Snow King Properties, LLC ("SKP")	Limited liability company	USA	Note	37.4%	15.0%	62.0%	Properties development and investment

Note:

SCA and SKP does not have issued share capital, the interests in SCA and SKP represent the interests in capital account balance.

All of the above associates are accounted for using the equity method in the consolidated financial statements and considered not to be individually material.

Summary financial information on associates

	Assets *HK$'000*	Liabilities *HK$'000*	Equity *HK$'000*	Revenue *HK$'000*	Loss *HK$'000*
2020					
Group's effective interest	**202,451**	**(173,337)**	**29,114**	**83,487**	**(41,851)**
2019					
Group's effective interest	323,091	(218,005)	105,086	150,523	(25,331)

15 DEPOSITS AND PREPAYMENTS

At 31 December 2020, deposits and prepayments for property, plant and equipment are expected to be recognised as property, plant and equipment in the future and classified as non-current assets.

16 OTHER FINANCIAL ASSETS

	2020 HK$'000	2019 HK$'000
Non-current assets		
Other financial assets *(note 28(f)(i)):*		
– Listed equity securities at FVPL in Hong Kong	**3,001**	3,147
– Listed equity securities at FVPL outside Hong Kong	**2,824**	2,735
– Unlisted equity securities at FVPL outside Hong Kong	**20,854**	12,053
– Unlisted debt securities at FVPL outside Hong Kong	**14,820**	7,020
	41,499	24,955
Current assets		
Other financial assets		
– Financial asset measured at amortised cost	**5,000**	5,000

17 TRADING SECURITIES

	2020 HK$'000	2019 HK$'000
Listed equity securities at FVPL *(note 28(f)(i))*		
– in Hong Kong	**10,224**	–
– outside Hong Kong	**3,823**	4,759
Listed debt securities at FVPL in Hong Kong	**–**	784
Unlisted debt securities at FVPL outside Hong Kong	**–**	2,349
	14,047	7,892

Notes to the Financial Statements *(Continued)*

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2020	2019
	HK$'000	*HK$'000*
Raw materials	12,629	20,184
Work in progress	15,587	14,356
Finished goods	174,417	205,139
	202,633	239,679

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows *(note 5(d))*:

	2020	2019
	HK$'000	*HK$'000*
Carrying amount of inventories sold	220,724	281,552
Write-down of inventories	2,895	–
Reversal of write-down of inventories	(24)	(9,249)
	223,595	272,303

The reversal of write-down of inventories made in the prior year arose upon subsequent sale of inventories.

19 TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade debtors, net of loss allowance	**89,219**	96,317
Amounts due from related companies	**2,087**	2,084
Deposits and prepayments	**19,406**	30,809
	110,712	129,210

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Amounts due from related companies are unsecured, interest-free and repayable on demand. The related companies have a common director and shareholder with the Company.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**31,431**	44,732
1 to 3 months	**41,484**	32,899
3 to 12 months	**15,593**	18,335
Over 12 months	**711**	351
	89,219	96,317

Trade debtors are due within 90 days from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2020	2019
	HK$'000	*HK$'000*
Deposits with banks and other financial institutions	**2,647**	477
Cash at bank and on hand	**86,317**	107,501
Cash and cash equivalents in the consolidated cash flow statements	**88,964**	107,978

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(b) Reconciliation of loss before taxation to cash generated from operations:

	Note	2020 HK$'000	2019 HK$'000
Loss before taxation		**(110,211)**	(13,060)
Adjustments for:			
Deficit/(surplus) on revaluation of investment properties	*11*	**43,059**	(51,532)
Depreciation	*11*	**33,618**	35,446
Amortisation of intangible assets	*12*	**34**	33
Impairment of other property, plant and equipment	*11*	**19,137**	27
Finance costs	*5(a)*	**9,865**	12,387
Interest income	*4*	**(3,050)**	(2,201)
Share of profits less losses of associates	*14*	**41,851**	25,331
Impairment loss of loans to an associate		**4,169**	3,025
Addition/(reversal) of impairment loss on trade and other receivables	*5(c)*	**471**	(1,255)
Written back of trade and other payables	*4*	**–**	(3,455)
Gain on lease modifications	*4*	**(255)**	(102)
Loss on deregistration of subsidiaries	*4*	**–**	40,673
Net gain on disposal of other property, plant and equipment	*4*	**(38)**	(678)
Net realised and unrealised gain on trading securities	*4*	**(3,597)**	(1,223)
Net realised and unrealised gain on other financial assets	*4*	**(837)**	(1,899)
COVID-19-related rent concessions received	*11(c)*	**(150)**	–
Foreign exchange (gain)/loss		**(4,508)**	2,981
Changes in working capital:			
Decrease in inventories		**37,046**	20,768
Decrease/(increase) in trade and other receivables		**18,027**	(776)
Decrease in trade and other payables and contract liabilities (excluding rental deposits)		**(9,580)**	(10,171)
Increase in rental deposits received		**2,534**	759
Decrease in accrued employee benefits		**(20)**	(54)
Cash generated from operations		**77,565**	55,024

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities:

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

	Bank loans *HK$'000* *(Note 22)*	**Lease liabilities** *HK$'000* *(Note 23)*	**Total** *HK$'000*
As at 1 January 2019	267,937	79,675	347,612
Changes from financing cash flows:			
Proceeds from new bank loans	484,620	–	484,620
Repayment of bank loans	(429,264)	–	(429,264)
Capital element of lease rentals paid	–	(9,995)	(9,995)
Interest element of lease rentals paid	–	(2,981)	(2,981)
Other borrowing costs paid	(9,406)	–	(9,406)
Total changes from financing cash flows	45,950	(12,976)	32,974
Exchange adjustments	440	(1,073)	(633)
Other change:			
Interest on bank loans and other borrowings *(note 5(a))*	9,406	–	9,406
Interest on lease liabilities *(note 5(a))*	–	2,981	2,981
Increase in lease liabilities from entering into new leases during the period	–	1,043	1,043
Decrease in lease liabilities from terminating leases during the period	–	(4,044)	(4,044)
	9,406	(20)	9,386
As at 31 December 2019	323,733	65,606	389,339

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities: *(continued)*

	Bank loans	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Note 22)	*(Note 23)*	
As at 1 January 2020	323,733	65,606	389,339
Changes from financing cash flows:			
Proceeds from new bank loans	592,633	–	592,633
Repayment of bank loans	(592,015)	–	(592,015)
Capital element of lease rentals paid	–	(8,641)	(8,641)
Interest element of lease rentals paid	–	(2,260)	(2,260)
Other borrowing costs paid	(7,605)	–	(7,605)
Total changes from financing cash flows	(6,987)	(10,901)	(17,888)
Exchange adjustments	–	3,422	3,422
Other change:			
Interest on bank loans and other borrowings *(note 5(a))*	7,605	–	7,605
Interest on lease liabilities *(note 5(a))*	–	2,260	2,260
Increase in lease liabilities from entering into new leases during the period	–	498	498
Decrease in lease liabilities from terminating leases during the period	–	(6,413)	(6,413)
COVID-19-related rent concessions received *(note 11(c))*	–	(150)	(150)
	7,605	(3,805)	3,800
As at 31 December 2020	324,351	54,322	378,673

Notes to the Financial Statements *(Continued)*

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(d) Total cash outflow for leases

	2020	2019
	HK$'000	*HK$'000*
Within operating cash flows	**778**	544
Within investing cash flows	**20,671**	10,633
Within financing cash flows	**10,901**	12,976
	32,350	24,153

These amounts relate to the following:

	2020	2019
	HK$'000	*HK$'000*
Lease rentals paid	**11,679**	13,520
Additions in leasehold properties	**20,671**	10,633
	32,350	24,153

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2020	2019
	HK$'000	*HK$'000*
Trade and other payables		
Creditors and accrued charges	**70,860**	80,674
Rental deposits	**12,154**	9,628
Amount due to related companies	**869**	869
Amount due to an associate	**33,286**	18,925
	117,169	110,096
Contract liabilities		
Forward sales deposits	**9,800**	9,566
	126,969	119,662

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES *(continued)*

(a) Trade and other payables

All of the trade and other payables, except for the amounts due to related companies and an associate, are expected to be settled or recognised as income within one year or are repayable on demand.

Amounts due to related companies and an associate are unsecured, interest-free and repayable on demand. The related companies have common directors and shareholders with the Company.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**7,599**	8,264
Over 1 month but within 3 months	**7,554**	6,315
Over 3 months but within 6 months	**1,697**	1,833
Over 6 months	**1,535**	598
	18,385	17,010

Notes to the Financial Statements *(Continued)*

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES *(continued)*

(b) Contract liabilities

Typical payment terms which impact on the amounts of contract liabilities recognised are as follows:

The Group receives advances from certain customers for sale of goods when they sign sale and purchase agreement. These advances are recognised as contract liabilities until the customers take possession of and accepts the products.

Movements in contract liabilities

	2020	2019
	HK$'000	*HK$'000*
Balance at 1 January	**9,566**	1,304
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(3,463)**	(441)
Increase in contract liabilities as a result of receiving forward sales deposits during the year	**3,681**	8,696
Exchange adjustments	**16**	7
Balance at 31 December	**9,800**	9,566

The amount of forward sales deposits received are expected to be recognised as income within one year.

22 BANK LOANS

At 31 December 2020, the bank loans were repayable as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 year or on demand	**324,351**	323,733

At 31 December 2020, the bank loans were as follows:

	2020	2019
	HK$'000	*HK$'000*
Bank loans		
– Secured	**319,719**	323,733
– Unsecured	**4,632**	–
	324,351	323,733

At 31 December 2020, investment properties and leasehold land and buildings of the Group with aggregate net carrying value of HK$1,886,832,000 (2019: HK$1,909,347,000) were pledged to various banks to secure the bank loans and overdrafts granted to the Group. Details of the secured assets are as follows:

	2020	2019
	HK$'000	*HK$'000*
Investment properties *(note 11(e))*	**1,827,110**	1,848,398
Ownership interest in land and buildings *(note 11(e))*	**59,722**	60,949
	1,886,832	1,909,347

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's or relevant subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand.

At 31 December 2020 and 31 December 2019, none of the covenants relating to drawn down facilities has been breached.

Further details of the Group's management of liquidity risk are set out in note 28(b).

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020 *HK$'000*	2019 *HK$'000*
Within 1 year	**9,229**	10,194
After 1 year but within 2 years	**9,521**	10,688
After 2 years but within 5 years	**25,275**	27,379
After 5 years	**10,297**	17,345
	45,093	55,412
	54,322	65,606

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2020 *HK$'000*	2019 *HK$'000*
Provision for Hong Kong Profits Tax for the year	**42**	208
Provisional Profits Tax paid	**(563)**	(6,087)
Balance of Profits Tax provision/(recoverable) relating to prior years	**14,317**	(856)
	13,796	(6,735)
Provision for tax outside Hong Kong	**21,693**	20,446
	35,489	13,711
Representing:		
Current tax recoverable	**208**	7,088
Current tax payable	**(35,697)**	(20,799)
	(35,489)	(13,711)

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates the tax implications of the transactions conducted, and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislation, and interpretation thereof. Where the final outcome is different from the current assessment, the income tax provisions recognised could be affected.

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation	Depreciation charge of right-of-use assets	Revaluation of land and buildings	Provisions and allowances	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax arising from:						
At 1 January 2019	13,384	–	10,587	(6,862)	–	17,109
Charged/(credited) to profit or loss *(note 6(a))*	1,723	(1,179)	–	(738)	(2,288)	(2,482)
Exchange adjustments	35	25	–	(19)	–	41
At 31 December 2019	15,142	(1,154)	10,587	(7,619)	(2,288)	14,668
At 1 January 2020	**15,142**	**(1,154)**	**10,587**	**(7,619)**	**(2,288)**	**14,668**
Charged/(credited) to profit or loss *(note 6(a))*	**(127)**	**(98)**	**–**	**527**	**(1,165)**	**(863)**
Exchange adjustments	**157**	**(81)**	**–**	**(86)**	**–**	**(10)**
At 31 December 2020	**15,172**	**(1,333)**	**10,587**	**(7,178)**	**(3,453)**	**13,795**

(ii) Reconciliation to the consolidated statement of financial position

	2020	2019
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**6,272**	9,709
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(20,067)**	(24,377)
	(13,795)	(14,668)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$261,897,000 (2019: HK$266,069,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses of the Group amounting to HK$39,723,000 (2019: HK$41,124,000) does not expire under current tax legislation, while the remaining tax losses amounting to HK$222,174,000 (2019: HK$224,945,000) will expire at various dates up to and including 2040 as follows:

	2020	2019
	HK$'000	*HK$'000*
Expiring in year:		
2020	**–**	178
2021	**190**	190
2022	**93**	93
2023	**119**	119
2024	**118**	118
2025	**135**	–
2028	**17,040**	17,040
2029	**23,790**	31,233
2030	**29,250**	29,250
2031	**31,629**	31,900
2032	**15,826**	16,265
2033	**–**	642
2034	**–**	397
2035	**19,406**	19,830
2036	**29,081**	29,081
2037	**9,478**	9,478
2038	**17,160**	17,160
2039	**21,971**	21,971
2040	**6,888**	–
	222,174	224,945
No expiry date	**39,723**	41,124
	261,897	266,069

25 RENTAL DEPOSITS

Rental deposits represent amount of rental deposits received which are expected to be settled after more than one year.

26 ACCRUED EMPLOYEE BENEFITS

	2020 HK$'000	2019 HK$'000
At 1 January	**38**	92
Provision utilised	**(20)**	(54)
	18	38

Accrued employee benefits represent provision for long service payments in respect of the Group's employees on termination of employment in accordance with the Hong Kong Employment Ordinance.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2019		95,059	185,138	9,347	175,594	481,508	946,646
Changes in equity for 2019:							
Profit and total comprehensive income for the year		–	–	–	–	171	171
Dividend approved in respect of the previous year	*27(b)(ii)*	–	–	–	–	(9,506)	(9,506)
Balance at 31 December 2019 and 1 January 2020		**95,059**	**185,138**	**9,347**	**175,594**	**472,173**	**937,311**
Changes in equity for 2020:							
Loss and total comprehensive income for the year		**–**	**–**	**–**	**–**	**(55,737)**	**(55,737)**
Balance at 31 December 2020		**95,059**	**185,138**	**9,347**	**175,594**	**416,436**	**881,574**

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK$Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020	2019
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK Nil cents per share (2019: HK1.0 cent per share)	–	9,506

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Issued share capital

	2020		2019	
	Number of shares '000	***HK$'000***	Number of shares '000	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000**	**100,000**	1,000,000	100,000
Ordinary shares, issued and fully paid:				
At the beginning and the end of the year	**950,588**	**95,059**	950,588	95,059

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

(ii) Capital reserve

The capital reserve arose from acquisitions of subsidiaries and associates prior to 1 January 2001, where the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition was credited to the capital reserve.

(iii) Contributed surplus

The contributed surplus may be utilised in accordance with the Bye-laws and other relevant laws of Bermuda, being the place of incorporation of the Company.

Notes to the Financial Statements *(Continued)*

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(v).

(v) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings set out in note 1(h).

(e) Distributability of reserves

At 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HKHK592,030,000 (2019: HK$647,767,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and contract liabilities, lease liabilities and rental deposits), less cash and cash equivalents. Total capital comprises all components of equity.

During 2020, the Group's strategy, which was unchanged from 2019 was to maintain the adjusted net debt-to-capital ratio under 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) Capital management *(continued)*

The Group's adjusted net debt-to-capital ratios at 31 December 2020 and were as follows:

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000*
Current liabilities:		
Trade and other payables and contract liabilities	**126,969**	119,662
Bank loans	**324,351**	323,733
Lease liabilities	**9,229**	10,194
	460,549	453,589
Non-current liabilities:		
Lease liabilities	**45,093**	55,412
Rental deposits	**3,623**	3,615
	48,716	59,027
Total debt	**509,265**	512,616
Less: cash and cash equivalents	**(88,964)**	(107,978)
Adjusted net debt	**420,301**	404,638
Total equity and capital	**2,205,555**	2,316,069
Adjusted net debt-to-capital ratio	**19.1%**	17.5%

The Group is subject to the fulfilment of certain covenants which include maintaining its adjusted net debt-to-capital ratio below 100%. Except for the above, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, other financial assets, trading securities, cash and cash equivalents and loans to an associate. Management has a credit policy in place and the exposures to these credit risks are 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. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers in its toys and model trains business. In respect of the Group's property investment business, deposits of two to three months' rent are normally required from lessees.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(a) Credit risk *(continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentration of credit risk primarily arises when the Group has significant exposure to individual customers. At the end of the reporting period, 12.70% (2019: 11.98%) and 40.38% (2019: 43.07%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively.

Investments in other financial assets and trading securities are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes. Cash and cash equivalents are normally placed with counterparties that have sound credit ratings.

The Group monitors the loans to an associate on an on-going basis. During the year ended 31 December 2020, loss allowance of HK$4,169,000 (2019: HK$3,025,000) in respect of loans to an associate was recognised in profit or loss. The loss allowance is measured as the present value of all expected cash shortfalls.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2020		
	Expected loss	**Gross carrying amount**	**Loss allowance**
	%	***HK$'000***	***HK$'000***
Neither past due nor impaired	**0.3%**	**73,562**	**187**
Less than 1 month past due	**0.3%**	**11,846**	**32**
1 to 3 months past due	**2.0%**	**2,174**	**43**
More than 3 months but less than 12 months past due	**14.9%**	**2,079**	**310**
More than 12 months past due	**92.5%**	**1,743**	**1,613**
		91,404	**2,185**

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(a) Credit risk *(continued)*

	2019		
	Expected loss	Gross carrying amount	Loss allowance
	%	*HK$'000*	*HK$'000*
Neither past due nor impaired	0.2%	64,662	142
Less than 1 month past due	0.2%	26,692	56
1 to 3 months past due	5.1%	4,784	245
More than 3 months but less than 12 months past due	32.8%	482	158
More than 12 months past due	83.4%	1,800	1,502
		98,420	2,103

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the year	**2,103**	5,062
Exchange adjustments	**5**	1
Amounts written off during the year	**–**	(2,762)
Addition/(reversal) of impairment losses during the year	**77**	(198)
At the end of the year	**2,185**	2,103

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management including the short term investment of cash surpluses. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

For the term loans subject to repayment on demand clauses which can be exercised at the lender's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke to unconditional rights to call the loans with immediate effect.

Notes to the Financial Statements *(Continued)*

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk *(continued)*

	2020 Total contractual undiscounted cash outflow							2019 Total contractual undiscounted cash outflow						
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Creditors and accrued charges	-	70,860	-	-	-	70,860	70,860	-	80,674	-	-	-	80,674	80,674
Amount due to related companies	-	869	-	-	-	869	869	-	869	-	-	-	869	869
Amount due to an associate	-	33,286	-	-	-	33,286	33,286	-	18,925	-	-	-	18,925	18,925
Rental deposits	-	12,154	3,623	-	-	15,777	15,777	-	9,628	3,615	-	-	13,243	13,243
Bank loans	-	311,725	10,401	2,706	-	324,832	324,351	-	333,791	2,640	-	-	336,431	323,733
Lease liabilities	-	11,317	11,115	27,941	10,538	60,911	54,322	-	12,592	12,668	30,899	18,096	74,255	65,606
	-	440,211	25,139	30,647	10,538	506,535	499,465	-	456,479	18,923	30,899	18,096	524,397	503,050
Adjustments to present cash flows on bank loans based on lender's right to demand repayment	324,351	(311,725)	(10,401)	(2,706)	-	(481)		323,733	(333,791)	(2,640)	-	-	(12,698)	
Adjustment to future interest expenses	-	(2,088)	(1,594)	(2,666)	(241)	(6,589)		-	(2,398)	(1,980)	(3,520)	(751)	(8,649)	
	324,351	126,398	13,144	25,275	10,297	499,465		323,733	120,290	14,303	27,379	17,345	503,050	

As shown in the above analysis, bank loans of the Group amounting to HK$311,725,000 are due to be repaid during 2021. The short-term liquidity risk inherent in this contractual maturity date was addressed at the time the loans were drawn. The Group will in due course commence refinancing of its bank loans which are due for maturity in December 2020. Based on the Group's past ability to financing and good relationship with a number of financial institutions, the Group expects to have adequate source of funding to finance and manage its liquidity position.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group monitors the level of its variable rate borrowings and manages the contractual terms of the interest-bearing financial assets and liabilities. For this purpose the Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments (excluding cash held for short-term working capital purposes). The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

		2020		2019	
	Note	**Effective interest rate**	**Amount**	Effective interest rate	Amount
		%	***HK$'000***	%	*HK$'000*
Fixed rate borrowings:					
Bank loans	*22*	**1.00**	**4,632**	–	–
Lease liabilities	*23*	**4.00**	**54,322**	4.00	65,606
Variable rate borrowings:					
Bank loans	*22*	**1.59**	**319,719**	3.98	323,733

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and retained profits by approximately HK$2,670,000 (2019: HK$2,703,000). Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

Notes to the Financial Statements *(Continued)*

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis (continued)

The sensitivity analysis above indicates the annualised impact on Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at the end of the reporting period. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the consolidated financial statements. The analysis has been performed on the same basis for 2019.

(d) Currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Renminbi Yuan ("RMB") Sterling Pounds ("GBP"), Japanese Yen ("JPY") and Euro ("EUR").

The Group's operations outside Hong Kong do not undertake significant transactions in a currency other than their respective functional currencies. Funds are retained by the operations outside Hong Kong for use within the respective operations.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2020				
	USD	**RMB**	**GBP**	**JPY**	**EUR**
	'000	***'000***	***'000***	***'000***	***'000***
Other financial assets	**4,779**	**–**	**–**	**–**	**129**
Trading securities	**–**	**–**	**–**	**51,315**	**–**
Trade and other receivables	**226**	**264**	**–**	**–**	**105**
Cash and cash equivalents	**1,093**	**156**	**1,014**	**28,744**	**419**
Trade and other payables	**(143)**	**(1,326)**	**–**	**(770)**	**–**
Net exposure arising from recognised assets and liabilities	**5,955**	**(906)**	**1,014**	**79,289**	**653**
HK$ equivalent	**46,450**	**(1,074)**	**10,569**	**5,907**	**6,166**

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk (continued)

	2019				
	USD	RMB	GBP	JPY	EUR
	'000	*'000*	*'000*	*'000*	*'000*
Other financial assets	2,654	–	–	–	128
Trading securities	402	–	–	66,933	–
Trade and other receivables	232	267	–	–	354
Cash and cash equivalents	252	534	1,161	107	1,405
Trade and other payables	(90)	(1,329)	–	–	(78)
Bank loans	–	–	(500)	–	–
Net exposure arising from recognised assets and liabilities	3,450	(528)	661	67,040	1,809
HK$ equivalent	26,908	(587)	6,680	4,767	15,588

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation (and retained profits) and other components of consolidated equity that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and USD would be materially unaffected by any changes in movement in value of USD against other currencies.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	**(Increase)/ decrease in loss after taxation and (decrease)/ increase in retained profits** *HK$'000*	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after taxation and (decrease)/ increase in retained profits *HK$'000*
RMB	**5%**	**(44)**	5%	(25)
	(5%)	**44**	(5%)	25
GBP	**5%**	**441**	5%	279
	(5%)	**(441)**	(5%)	(279)
JPY	**5%**	**247**	5%	199
	(5%)	**(247)**	(5%)	(199)
EUR	**5%**	**251**	5%	643
	(5%)	**(251)**	(5%)	(643)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/loss after taxation and equity measured in the respective functional currencies, translated into HKD 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 remeasure those financial instruments 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 operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2019.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see notes 16 and 17). Other than the unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed both in and outside Hong Kong. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Equity price risk *(continued)*

At 31 December 2020, it is estimated that changes in the relevant stock market indices (for listed investments) with all other variables held constant, would have increased/decreased the Group's loss after taxation (and retained profits) and other components of consolidated equity as follows:

	2020		
	Increase/ (decrease) in the relevant risk variable	**Increase/ (decrease) in retained profits** *HK$'000*	**Decrease/ (increase) in loss after taxation** *HK$'000*
Stock market index in respect of listed investments:			
Nikkei 225	**16%**	**511**	**511**
	(16%)	**(511)**	**(511)**
Hang Seng Index	**3%**	**256**	**256**
	(3%)	**(256)**	**(256)**
S&P Global Natural Resources Index	**3%**	**41**	**41**
	(3%)	**(41)**	**(41)**
SSE Composite Index	**14%**	**351**	**351**
	(14%)	**(351)**	**(351)**

	2019		
	Increase/ (decrease) in the relevant risk variable	Increase/ (decrease) in retained profits *HK$'000*	Decrease/ (increase) in loss after taxation *HK$'000*
Stock market index in respect of listed investments:			
Nikkei 225	18%	715	715
	(18%)	(715)	(715)
S&P Global Natural Resources Index	13%	171	171
	(13%)	(171)	(171)
SSE Composite Index	22%	578	578
	(22%)	(578)	(578)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(e) Equity price risk *(continued)*

The sensitivity analysis indicates the instantaneous change in the Group's loss after taxation and retained profits that would have arisen assuming that the changes in the stock market indices had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical movement with the relevant stock market indices, and that all other variables remain constant. The analysis has been performed on the same basis for 2019.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

Notes to the Financial Statements *(Continued)*

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy *(continued)*

	Fair value as at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Other financial assets				
– Listed equity securities	**5,825**	**5,825**	**–**	**–**
– Unlisted equity securities	**20,854**	**–**	**19,294**	**1,560**
– Unlisted debt securities	**14,820**	**–**	**–**	**14,820**
	41,499	**5,825**	**19,294**	**16,380**
Trading securities				
– Listed equity securities	**14,047**	**14,047**	**–**	**–**
	55,546	**19,872**	**19,294**	**16,380**

	Fair value as at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Other financial assets				
– Listed equity securities	5,882	5,882	–	–
– Unlisted equity securities	12,053	–	10,493	1,560
– Unlisted debt securities	7,020	–	–	7,020
	24,955	5,882	10,493	8,580
Trading securities				
– Listed equity securities	4,759	4,759	–	–
– Listed debt securities	784	784	–	–
– Unlisted debt securities	2,349	–	2,349	–
	7,892	5,543	2,349	–
	32,847	11,425	12,842	8,580

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy *(continued)*

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 2 fair value measurements

The fair value is based on price quoted by financial institutions.

Information about Level 3 fair value measurements

The Group's Level 3 financial instruments represent unlisted equity and debt securities which their fair values are based on unobservable inputs. The directors perform the valuation on Level 3 financial instruments for financial reporting purposes. Their fair values have been determined with reference to the pricing of the recent transactions.

The movement during the year in the balance of these Level 3 fair value measurements is as follows:

	Unlisted equity securities *HK$'000*	**Unlisted debt securities** *HK$'000*
Balance as at 1 January 2019	–	–
Payment for purchases	1,560	7,020
Balance as at 31 December 2019	1,560	7,020
Payment for purchases	–	7,800
Balance as at 31 December 2020	**1,560**	**14,820**

(ii) Fair values of financial instruments carried at other than fair value

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

29 COMMITMENTS

Capital commitments outstanding at 31 December 2020 not provided for in the financial statements were as follows:

	2020	2019
	HK$'000	*HK$'000*
Contracted for the purchase of property, plant and equipment	**20,866**	7,020

30 EMPLOYEE RETIREMENT BENEFITS

In Hong Kong, the Group operates a defined contribution pension scheme ("ORSO scheme") for all qualifying employees. Effective from 1 December 2000, all Hong Kong based employees were also covered under a Mandatory Provident Fund ("MPF") scheme, and the existing ORSO scheme was modified to provide extra benefits for existing and new employees. The amounts of employer's and employees' contributions to the ORSO scheme are reduced by the amount required to be paid to the MPF scheme. The contributions to the ORSO scheme are supplementary contributions, over and above the minimum MPF requirements. The assets of the ORSO scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the ORSO scheme, the employees are required to make contributions to the ORSO scheme calculated at 5% of their basic salaries on a monthly basis whilst the employer's contributions vary with the number of years of service of the employees from 5% to 10% of the basic monthly salary. The employees are entitled to 100% of the employer's contributions to the ORSO scheme and the accrued interest after 10 complete years' service, or at an increasing scale of between 50% and 90% after completion of 5 to 9 years' service.

Where there are employees who leave the ORSO scheme prior to vesting fully in the contributions, in accordance with the rules of the ORSO scheme, the forfeited employer's contributions shall be used to reduce the future contributions of the employer.

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the retirement schemes of the Group that are attributable to contributions made by the Group.

Subsidiaries incorporated in the PRC participate in the defined contribution retirement schemes operated by the local authorities for employees in the PRC. Contributions to these schemes are charged to profit or loss when incurred.

30 EMPLOYEE RETIREMENT BENEFITS *(continued)*

Under the PRC Labour Contract Law, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees. The amount payable is dependent on the employees' final salary and years of service.

Employees in the United States of America are covered by a profit sharing plan under section 401(k) of the Internal Revenue Code covering all eligible employees. The plan provides for contributions from both the employer and eligible employees. Employer's contributions are voluntary and are determined each year at the discretion of management.

As regards employees in Europe, contributions are made by the employer to a money purchase defined contribution pension scheme for certain of its employees. The assets of the scheme are held separately by an independent administered fund.

31 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Remuneration for key management personnel of the Group are disclosed in notes 7 and 8 to the financial statements.

(b) As at 31 December 2020, the Group advanced funds totalling HK$40,161,000 (2019: HK$40,153,000) to certain associates in which certain directors of the Company have beneficial interests. Further details of the associates are given in note 14 to the financial statements.

(c) During the year ended 31 December 2020, the Group acquired sanitary wares amounted to HK$27,000 from a related party in which a director of the Company has beneficial interests (2019: HK$637,000).

(d) During the year ended 31 December 2020, the Group received rental and other income amounted to HK$1,145,000 from related parties in which certain directors of the Company have beneficial interests (2019: HK$Nil).

Notes to the Financial Statements *(Continued)*

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2020** ***HK$'000***	2019 *HK$'000*
Non-current assets			
Interest in subsidiaries		**883,448**	938,803
Current assets			
Trade and other receivables		**360**	360
Cash and cash equivalents		**240**	311
		600	671
Current liabilities			
Trade and other payables		**2,454**	2,163
Tax payable		**20**	–
		2,474	671
Net current liabilities		**(1,874)**	(1,492)
NET ASSETS		**881,574**	937,311
CAPITAL AND RESERVES	*27(a)*		
Share capital		**95,059**	95,059
Reserves		**786,515**	842,252
TOTAL EQUITY		**881,574**	937,311

33 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group believes the following critical accounting policies involves the most significant judgements and estimates used in the preparation of the financial statements.

(a) Valuation of investment properties

The fair valuation of the Group's investment properties is conducted by an independent firm of surveyors by either making reference to comparable sales evidence in the relevant locality, or otherwise, by capitalising the current rent derived from the existing tenancies with provision for any reversionary income potential. The valuation model used by the property valuer makes use of market inputs. Should changes be made to these market inputs, the corresponding investment property valuation would change.

(b) Impairment of other property, plant and equipment

If circumstances indicate that the carrying amounts of other property, plant and equipment may not be recoverable, the assets may be considered "impaired" and are tested for impairment in accordance with HKAS 36, *Impairment of assets*. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. The asset's recoverable amount will also be estimated if circumstances indicate that an impairment loss previously recognised no longer exists or may have decreased. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. In determining the recoverable amount, significant judgements are required and the Group uses all readily available information, including estimates based on reasonable and supportable assumptions, projections of sale volume and operating costs or other market data, to arrive at an amount that is a reasonable approximation of recoverable amount. Any adverse changes in the assumptions used in determining the recoverable amount would cause the carrying amount of the asset to be significantly different from the recoverable amount.

(c) Write-down of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analyses and projections of expected future salability of goods based on management experience and judgement. Based on this review, a write-down of inventories will be made when the estimated net realisable value of inventories decline below their carrying amounts. Due to changes in customers' preferences, actual salability of goods may be different from estimations and profit or loss in future accounting periods could be affected by differences in these estimations.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Group Properties

Details of the major property of the Group are as follows:

Location	Existing use	Term of lease
Major property held for investment		
A portion of Ground Floor, whole of First, Second, Third, Fourth Floors, a portion of Fifth Floor, the whole of Sixth, Seventh, Eighth, Ninth, Tenth Floors, a portion of Eleventh Floor, Kader Building, 22 Kai Cheung Road Kowloon Bay, Kowloon HONG KONG	Industrial and office rental	Medium-term

Five-Year Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**2020**	2019	2018	2017	2016
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue		**372,293**	444,147	663,688	823,451	753,545
(Loss)/profit from operations	*1,2*	**(11,267)**	(23,849)	55,105	165,220	102,367
Finance costs		**(9,865)**	(12,387)	(7,781)	(7,152)	(9,557)
Share of profits less losses of associates		**(41,851)**	(25,331)	25,593	10,323	12,376
Impairment loss of loans to an associate		**(4,169)**	(3,025)	–	–	(711)
(Deficit)/surplus on revaluation of investment properties		**(43,059)**	51,532	142,888	186,372	57,724
(Loss)/profit before taxation		**(110,211)**	(13,060)	215,805	354,763	162,199
Income tax credit/(expense)	*1*	**715**	(981)	(34,401)	(26,956)	(38,651)
(Loss)/profit for the year		**(109,496)**	(14,041)	181,404	327,807	123,548
Attributable to:						
Equity shareholders of the Company		**(110,366)**	(14,364)	181,750	321,748	122,905
Non-controlling interests		**870**	323	(346)	6,059	643
(Loss)/profit for the year		**(109,496)**	(14,041)	181,404	327,807	123,548
(Loss)/earnings per share						
Basic		**(11.61)¢**	(1.51)¢	19.12¢	33.85¢	12.93¢
Diluted		**(11.61)¢**	(1.51)¢	19.12¢	33.85¢	12.93¢

Five-Year Summary *(Continued)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**2020** **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Assets and liabilities						
Property, plant and equipment	*1*	**2,196,922**	2,233,430	2,091,060	1,926,237	1,747,032
Intangible assets		**419**	366	399	1,041	1,679
Interest in associates		**55,372**	82,855	89,248	64,052	53,845
Other financial assets		**41,499**	24,955	13,941	28,828	8,608
Deposits and prepayments		**8,855**	2,028	14,708	16,151	–
Deferred tax assets	*1*	**6,272**	9,709	6,494	11,633	9,985
Non-current assets		**2,309,339**	2,353,343	2,215,850	2,047,942	1,821,149
Net current (liabilities)/assets	*1*	**(34,983)**	46,168	107,678	114,846	9,670
Total assets less current liabilities		**2,274,356**	2,399,511	2,323,528	2,162,788	1,830,819
Non-current liabilities	*1*	**(68,801)**	(83,442)	(28,426)	(32,485)	(28,586)
NET ASSETS		**2,205,555**	2,316,069	2,295,102	2,130,303	1,802,233
CAPITAL AND RESERVES						
Share capital		**95,059**	95,059	95,059	95,059	95,059
Reserves		**2,106,674**	2,218,284	2,197,581	2,032,307	1,710,477
Total equity attributable to equity shareholders of the Company		**2,201,733**	2,313,343	2,292,640	2,127,366	1,805,536
Non-controlling interests		**3,822**	2,726	2,462	2,937	(3,303)
TOTAL EQUITY		**2,205,555**	2,316,069	2,295,102	2,130,303	1,802,233

Five-Year Summary *(Continued)*

Notes to the Five-Year Summary

1 As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

2 The Group adopted HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9 *Prepayment features with negative compensation*, from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.