Zhongzheng International Company Limited

(Incorporated in Bermuda with Limited Liability)

(Stock Code : 943)

ANNUAL REPORT 2020

This Annual Report is printed on environmentally friendly paper

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Leung Chung Shan *(Chairman)*
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Qiu Qing *(CEO)*
(appointed on 17 April 2020)
Mr. Liu Liyang
Mr. Gao Yuxiang
(appointed on 17 December 2020)

Non-executive Director

Mr. Lim Kim Chai, J.P.

Independent Non-executive Directors

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

AUDIT COMMITTEE

Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung

REMUNERATION COMMITTEE

Mr. Leung Chi Hung *(Chairman)*
Mr. Hau Chi Kit
Mr. Li Hon Kuen
Mr. Qiu Qing
(appointed on 17 April 2020)
Mr. Lim Kim Chai
(appointed on 16 July 2020)

NOMINATION COMMITTEE

Mr. Leung Chung Shan *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Qiu Qing
(appointed on 17 April 2020)

COMPANY SECRETARY

Mr. Situ Min

AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701-3 & 8, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Guangdong Huaxing Co., Ltd.

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
4/F North Cedar House,
41 Cedar Avenue,
Hamilton HM12,
Bermuda

BRANCH REGISTRAR

Union Registrars Limited
Suite 3301-4, 33/F,
Two Chinachem Exchange Square,
338 King's Road, North Point,
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street,
Hamilton HM11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3008, Man Yee Building,
68 Des Voeux Road Central,
Central,
Hong Kong

STOCK CODE

943

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Leung Chung Shan ("Mr. Leung")

(Chairman)

Mr. Leung, aged 60, was appointed as an executive Director and the chairman of both the Board and the Nomination Committee of the Company on 18 January 2018. Mr. Leung has extensive experience and business interests in the People's Republic of China (the "PRC") in the areas of infrastructure development, real estate properties and other areas. Mr. Leung commenced his investments in toll road projects in the early 1990s and began investing in property development in the PRC and Singapore in 1996. Mr. Leung was also the former chairman of the Board and an executive Director during the period between 1 February 2000 and 3 November 2008.

Mr. Tam Lup Wai, Franky ("Mr. Tam")

(Deputy Chairman)

Mr. Tam, aged 72, was appointed as executive Director of the Company on 17 December 2001 and the chairman of the Board of the Company on 21 July 2011. He was also appointed as a member of the Remuneration Committee of the Company on 3 July 2007 and the chairman of the Nomination Committee of the Company on 29 March 2012. Mr. Tam was re-designated as the deputy chairman of the Board and ceased to be the chairman of the Nomination Committee with effect from 18 January 2018. And he ceased to be a member of each of the Remuneration Committee and the Nomination Committee of the Company with effect from 16 July 2020. Mr. Tam holds a BA in Applied Mathematics from the University of California at Berkeley, USA. He has diversified management experiences in the fields of property, retail and technology. He also specializes in formulating and executing business strategies for companies and has experience in the investment of technology start-up. He was previously an administration director of a conglomerate comprises four listed companies in Hong Kong and directly oversaw the administration of the group and responsible in managing several subsidiaries' operations, including properties acquisition, strategic investments and hotel start-up project. Mr. Tam also served as executive director of a Hong Kong publicly listed fashion retail chain store with over 200 outlets in Hong Kong and China and was instrumental in setting up the franchise operation in the PRC before joining the Company in 2001.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Qiu Qing ("Mr. Qiu")
(CEO)
Mr. Qiu, aged 55, was appointed as executive Director and a member of each of the Remuneration Committee and the Nomination Committee of the Company on 17 April 2020; He was further appointed as the Chief Executive Officer ("CEO") of the Company on 16 July 2020. He has over 19 years of experience in real estate investment and development business. From October 2000 to October 2006, he served at CITIC South China (Group) Co., Ltd.* (中信華南(集團)有限公司), with his last position as the director of office of the company. From December 2004 to October 2007, he served as a deputy general manager of CITIC South China (Group) Dongguan Co., Ltd.* (中信華南 (集團)東莞有限公司) and from October 2006 to October 2009, as a member of the party committee, secretary of the disciplinary committee, and deputy secretary of the party committee of CITIC Real Estate Co., Ltd.* (中信房地產股份有限公司) ("CITIC Real Estate"). Mr. Qiu was the general manager of Hainan Boao Investment Holdings Co., Ltd.* (海南博鼇投資控股有限公司) from October 2007 to October 2009. From October 2009 to April 2013, Mr. Qiu served as the vice president of CITIC Real Estate and the chairman of CITIC Real Estate Hainan Investment Co., Ltd.* (中信地產海南投資有限公司) ("CITIC Real Estate Hainan"), and also as a general manager of CITIC Pacific Hainan Company* (中信泰富海南公司). From April 2013 to July 2015, he served as the managing vice president of CITIC Real Estate and concurrently the chairman of CITIC Real Estate Hainan, CITIC Real Estate Shenzhen Investment Co., Ltd.* (中信地產深圳投資有限公司), and CITIC Real Estate Huizhou Investment Co., Ltd.* (中信地產惠州投資有限公司). Mr. Qiu is the founder, general manager and legal representative of Shenzhen Qianhai CITIC Securities City Development Management Co., Ltd.* (深圳市前海中證城市發展管理有限公司) since May 2014. Mr. Qiu obtained a bachelor of arts degree in journalism from Anhui University in China in 1988 and a master of law degree in journalism from Jinan University in China in 1994.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Liyang ("Mr. Liu")

Mr. Liu, aged 60, was appointed as executive Director, Deputy Chairman of the Board and the CEO and a member of the Remuneration Committee of the Company on 19 August 2010. He was further appointed as a member of the nomination committee of the Company on 29 March 2012. He ceased to be the deputy chairman of Board with effect on 18 January 2018. And he ceased to be CEO and a member of each of the Remuneration Committee and the Nomination Committee of the Company with effect from 16 July 2020. Mr. Liu has over 17 years of experience in the investment banking industry. Before joining the Company, he was the co-head of the China Investment Banking of Nomura International (HK) Limited. He had also worked in the Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc. Mr. Liu holds an MBA degree from Columbia University. From 13 October 2015 to 24 October 2018, Mr. Liu was an executive director of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Limited) (stock code: 1194) which is a company listed on the Main Board of The Stock Exchange of the Hong Kong Limited (the "Stock Exchange"). He was appointed as the chairman of the board, a member of the remuneration committee and the chairman of each of the executive committee, nomination committee and corporate governance committee of Munsun Capital Group Limited at different times during his tenure with them. Mr. Liu currently is an independent non-executive director of Beautiful China Holdings Company Limited (stock code: 706), which is a company listed on the Main Board of the Stock Exchange.

Mr. Gao Yuxiang ("Mr. Gao")

Mr. Gao, aged 52, was appointed as executive Director of the Company on 17 December 2020. He has extensive experience in the securities and financial industry. Mr. Gao joined CITIC Securities Company Limited ("CITIC Securities"), a company listed on the main board of the Stock Exchange (stock code: 6030), in 2004 and was appointed as a project manager of the transportation industry of investment bank management committee of CITIC Securities in November 2004. Mr. Gao had extensive experience in investment in different industries during his service in CITIC Securities. He is currently the person-in-charge of the infrastructure and real estate industry of investment bank management committee, a member of the investment bank management committee and a member of the senior management of CITIC Securities. Mr. Gao obtained a bachelor's degree in national economic management from Peking University in July 1995 and a doctoral degree from School of Economics and Management, Beijing Jiaotong University in China in October 2004. Mr. Gao has the title of senior economist in finance since September 2006.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Lim Kim Chai, J.P. ("Mr. Lim")

Mr. Lim, aged 53, was appointed as Non-executive Director of the Company on 20 December 2019. He has over 14 years of experience in investment and property development business. He is the founder and the chairman of Yuk Tung Group, which focuses on the property development in Malaysia. Since the founding of the Yuk Tung Group in 2005, Mr. Lim has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd., ("Pacific Memory") respectively, primarily responsible for the overall management and strategic development of the Yuk Tung Group. Mr. Lim was also appointed as Justice of the Peace (JP) in Malaysia in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hau Chi Kit ("Mr. Hau")

Mr. Hau, aged 49, was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 7 March 2014. Mr Hau was an independent non-executive director of Code Agriculture (Holdings) Limited (stock code: 8153), a company listed on the Growth Enterprise Market of the Stock Exchange, from November 2016 to July 2019. Currently, he is an independent non-executive director of Xinyang Maojian Group Limited (formerly known as China Zenith Chemical Group Limited) (stock code: 362) and hmvod Limited (formerly known as Trillion Grand Corporate Company Limited) (stock code: 8103), both of which are companies listed on the Stock Exchange. Mr. Hau was a barrister-at-law in private practice in Hong Kong from 2001 to 2008. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Mr Hau is a solicitor in private practice.

Mr. Leung Chi Hung ("Mr. Leung Chi Hung")

Mr. Leung Chi Hung, aged 65, was appointed as an independent non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 13 December 2013. Mr. Leung Chi Hung was further appointed as the chairman of the Remuneration Committee on 4 June 2018. Mr. Leung Chi Hung commenced his accountancy professional training since 1976 and is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung Chi Hung is also a fellow of The Taxation Institute of Hong Kong and a Certified Tax Adviser and a member of the Society of Registered Financial Planners in Hong Kong. Mr. Leung Chi Hung is a Certified Public Accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited (CPA). Mr. Leung Chi Hung currently is also an independent non-executive Director of Daido Group Limited (stock code: 544), Finet Group Limited (stock code: 8317), REF Holdings Limited (stock code: 1631), WT Group Holdings Limited (stock code: 8422) and Evergreen International Holdings Limited (stock code: 238), all of which are companies listed on the Stock Exchange.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Hon Kuen ("Mr. Li")

Mr. Li, aged 54, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company on 19 July 2013. Mr. Li is a Certified Public Accountant (Practising) in Hong Kong with general assurance experience in clients operating in a variety of industries, including textile, construction, property development, freight forwarding, golf club, jewelry manufacturing and trading, application software development and installation, website design and development, manufacturing and ATM operation business. Moreover, Mr. Li has extensive experience in public listings and due diligence in Hong Kong. Mr. Li had worked in Deloitte and as senior audit manager in RSM Nelson Wheeler before setting up Alfred H.K. Li & Co., CPA, in 2013.

SENIOR MANAGEMENT

Mr. Sugahara Toshio ("Mr. Sugahara")

Mr. Sugahara, aged 57, joined the Group in 2007. Mr. Sugahara is the General Manager of Fairform Manufacturing Limited, a wholly-owned subsidiary of the Group, and is responsible for the overall production management and quality control of the Group's manufacturing of health and household products. Mr. Sugahara has obtained a Bachelor Degree in Mechanical Engineering from the University of Brighton (UK) and a Master Degree of Business Administration from the University of South Australia. He is a member of the Institution of Engineering and Technology (UK) and has extensive working experience in project engineering, product research and development and production management.

Mr. Wong Sze Yat, Robert ("Mr. Wong")

Mr. Wong, aged 57, joined the Group in 1998. Mr. Wong is the Marketing Director of Fair form Manufacturing Limited and is responsible for sales and marketing function of the Group's manufacturing and sales of health and household products. Mr. Wong has a Diploma in Business Studies from the Salford Technology College (UK). Mr. Wong has over 20 years of working experience in marketing small household electrical appliances and household products.

Mr. Situ Min ("Mr. Situ")

Mr. Situ, aged 51, is currently the Company Secretary and Chief Financial Officer of the Company. Before he joined the Company in June 2019, Mr. Situ served respectively as director of investment and chief financial officer of China Traditional Chinese Medicine Holdings Co. Limited (Stock Code: 570) from October 2013 to December 2018. From September 2001 to February 2013, he served as the executive director and chief financial officer for the same company with former name of Wing Shan International Limited and Winteam Pharmaceutical Group Limited. Mr. Situ is a fellow member of the Association of Chartered Certified Accountants and is also a member of Chinese Institute of Certified Public Accountants. He has extensive experience in financial management, corporate finance and corporate governance.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Zhongzheng International Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 December 2020.

REVIEW AND PROSPECT

Overall revenue of the Group for the financial year ended 31 December 2020 was decreased by HK$44.1 million mainly due to the decrease of revenue of the Group's manufacturing business. The consolidated loss of the Group for the financial year ended 31 December 2020 was HK$67.2 million as compared to loss of HK$71.9 million in 2019 mainly due to the recognition of an impairment loss on exploration and evaluation assets of approximately HK$34.0 million, which represents the coal mine project in Central Kalimantan Province in the Republic of Indonesia. Finance costs decreased by HK$10.2 million with the decrease in the loss on early settlement of shareholders loans amounted to HK$2.8 million and the improvement in share of profit of associates to HK$1.2 million with revenue of land auctions from primary land development projects. More details our financial performance for financial year ended 31 December 2020 can be found within the Management Discussion and Analysis and Financial Statement sections in this annual report.

2020 is an important year for the strategic development of the Group, we have completed the acquisition of several companies principally engaged in property development projects in the PRC. The completion date was 19 March 2020. The acquisition includes two property development projects: the Dongguan Project and Nanjing Project.

For the Dongguan Project, pre-sale permission was obtained in October 2020. 129 apartments (gross floor area of approximately 12,416 square meters with average selling price of RMB34,595 per square meter) have been sold up to 31 December 2020 with contract sales of approximately RMB 429.6 million. For the Nanjing Project, pre-sale approval licenses of 122 units for the first phase (the average selling price for the filed saleable area is RMB23,000 per square meter) was obtained during the year. Up to January 2021, 24 residential units have been sold (approximately 20% of saleable units) with contract revenue of approximately RMB88.3 million.

For the primary land development project, the Luanping Project, during the year ended 31 December 2020, the government launched approximately 388.28 mu (or 258,850 square meters) of land for auction which is behind the original schedule of the project plan. As a result, the total transaction amount was only approximately RMB612.4 million in 2020 and the government returned approximately RMB354.4 million for the comprehensive land development cost to CITIC Development.

CHAIRMAN'S STATEMENT

We have been trying to identify suitable investment opportunities to diversify and enhance long-term corporate value. The coronavirus pneumonia epidemic has severely tested the global economy, but the impact of the epidemic on the Chinese economy is short-lived. With the launch of a series of steady growth fiscal and monetary policies by the central government, the basic trend of stable economic growth and long-term economic growth will not change.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our utmost appreciation of the continuing supports of our Shareholders, business partners and parties from various fields, and also of the contribution and dedication of our management and dedicated staffs in previous year.

Leung Chung Shan
Chairman and Executive Director
26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Results for the year

Revenue from the continuing operations of the Group for the year ended 31 December 2020 amounted to HK$154.7 million, which represented a decrease of approximately 22.2% as compared to HK$198.8 million in 2019.

The consolidated loss of the Group for the year ended 31 December 2020 amounted to HK$67.2 million as compared to the loss of HK$71.9 million in 2019.

Following is the review of the principal activities of the Group in 2020 and outlook of the Group's business in 2021.

Land and property development projects

Primary land development

The primary land development project is located at Luanping County, Chengde, Hebei Province, the PRC (the "Luanping Project"). Luanping County is located at the north-eastern part of the Hebei Province, the south-west of Chengde city. It is 165 kilometers and 275 kilometers away from the downtown of Beijing and Tianjin respectively and is known as the "North Gate" of the capital. Luanping County has an excellent ecological environment and it is the "Water Source Conservation Functional Zone" and "Ecological Environment Supporting Zone", which are defined by the state. The forest coverage rate is more than 60%, which is very suitable for residence, leisure and vacation. It is the prime location choice of tourists from Beijing-Tianjin area for weekend vacation and travel. The famous tourist spots include Jinshanling Great Wall and Baicaowa National Forest Park.

Chengde CITIC Securities Urban and Rual Development Co., Ltd.* (承德中證城鄉開發有限公司) ("CITIC Development") is the project company of the Luanping Project. The Company has 90% interest in CITIC Development through holding a 42.5%-owned associate called Chengde CITIC Securities Jinyu Investment Development Co., Ltd.* (承德中證金域投資開發有限公司) ("CITIC Jinyu"). CITIC Development is responsible for the planning, budgeting and management of the operation of the Luanping Project. By way of finance, CITIC Development provides resettlement compensation to local residents for land collection, construction of supporting roads, water supply, power supply, gas supply and other public infrastructure. The cost of development is borne by CITIC Development. When the land has been developed to a saleable state, the government authority is obligated to conduct land auctions. Certain portion of the proceeds from land auction is allocated by government authority to CITIC Development in the form of fixed and floating income.

MANAGEMENT DISCUSSION AND ANALYSIS

Originally, the government authority planned to resume the land auctions in 2020 after the ecological environment issue that occurred in 2019 is resolved. However, due to the Covid-19 epidemic, the sale of land was again severely affected and delayed. During the year ended 31 December 2020, the government launched approximately 388.28 mu (or 258,850 square meters) of land for auction which is behind the original schedule of the project plan. As a result, the total transaction amount was only approximately RMB612.4 million in 2020 and the government returned approximately RMB354.4 million for the comprehensive land development cost to CITIC Development.

Regarding the infrastructure construction progress, it is expected that the construction of 16 kilometers of national highway G101 will be completed and will achieve full traffic by the first half of 2021. The pipeline and electricity network are expected to be completed by 40% by the end of 2021. Qin Chun New Residence, Bakshiying Town, Luanping County* (灤平縣巴克什營鎮"沁春新居") is the first resettlement community of the Luanping Project. The first phase of Qin Chun New Residence will be ready for residents to move in during April 2021 after completion of ancillary works.

With the delay in land auction for the Luanping Project during the year due to the impact of the Covid-19 epidemic and the deleverage of property development enterprises implemented by the state during the second half of the year, the area of land transfer for the Luanping Project was lower than expected. The share of profit from CITIC Jinyu amounted to approximately HK$2.4 million, which was compared with a loss of approximately HK$25.9 million in 2019. The expenses of associates mainly comprised of the operating expenses and interest for the Luanping Project.

Property development

In July 2019, the Company entered into an acquisition agreement with Shenzhen Qianhai CITIC Securities City Development Management Co., Limited* (深圳市前海中證城市發展管理有限公司) to acquire Shenzhen Qianhai Huateng Industrial Co., Ltd.* (深圳市前海中證華騰實業有限公司) ("Qianhai Huateng"). The acquisition includes two property development projects: the project in Nancheng District, Dongguan City, Guangdong Province (the "Dongguan Project"), and the project in Liuhe District, Nanjing City, Jiangsu Province (the "Nanjing Project"). The Company completed the acquisition on 19 March 2020.

The name of the Dongguan Project is CITIC•Cloud Courtyard* (中證•雲庭), and is located at the Nancheng District, Dongguan City. It is the area with the most mature supporting facilities and scarce housing supply in Dongguan City. The project consists of two 25-storey buildings with both residential and commercial elements. According to the latest construction plan, the gross floor area for residential portion and commercial portion are 23,410 square meters and 4,897 square meters respectively. The two underground floors will be parking areas. The construction is expected to be completed around June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Dongguan Project, during the year under review, the project progress can be summarized as follows:

– Pre-sale permission was obtained in October 2020. 129 apartments (gross floor area of 12,416.55 square meters with average selling price of RMB34,595 per square meter) have been sold up to 31 December 2020 with contract sales of approximately RMB429.6 million;

– The superstructure was completed in November 2020 and inspection has been carried out in December 2020, which was two months earlier than the original plan;

– 85% of water supplies, 90% of drainage, 75% of gas and electricity have been completed up to 31 December 2020; and

– Although the sales of the Dongguan Project are progressing smoothly, due to the significant tightening of mortgage facilities for property transactions by banks in Shenzhen, Dongguan and other areas, the collection of sales proceeds was not satisfactory. As at 31 December 2020, the initial payment from buyers was approximately RMB178.3 million, while the collection of funds from bank mortgages was only approximately RMB104.5 million.

The name of the Nanjing Project is Spring Breeze* ("泉悦春風"), and is located at Naishan ecological scenic area, Long Pao New City, Jiangbei New Area, Nanjing. The project features a high-end hot spring hotel and a low-density Chinese-style courtyard community. The total development area of the project is about 240,000 square meters. It includes development for three phases of low-density residential elements – villas and courtyard. There is also a Banyan Tree hotel development for the project since it is a tourist spot famous for its hot spring. The gross floor area of the whole project is about 292,000 square meters. The first phase of villas and courtyard are targeted to be delivered to customers by end of 2021 and the second and third phase by the end of 2023.

On 10 July 2020, within the red line of the project, a hot spring well with a well depth of 3,303.66 meters successfully produced water, and the outlet temperature of the well reached 70 degrees celsius. It was identified by the government as the deepest high-quality hot spring in Nanjing. A hot spring experience area was completed in October 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Nanjing Project, during the year under review, the project progress can be summarized as follows:

– As affected by the Covid-19 epidemic, the resumption of works for the project was delayed. The progress of the construction of the first-phase residential units, selling center, display area and other projects, and marketing and sales of residential units were all delayed to varying degrees;

– The attainment of pre-sale approval licenses of 122 units for the first phase (the average selling price for the filed saleable area is RMB23,000 per square meter);

– Completion of the construction of showrooms, selling center and landscape core area and the whole area was open to public during December 2020;

– Up to January 2021, 24 residential units have been sold (approximately 20% of saleable units) with contract revenue of approximately RMB88.3 million. However, it was far below the annual target of RMB500.0 million, mainly because the "project management model" in cooperation with Greentown Real Estate Construction & Management Group Company Ltd. ("Greentown") has been greatly challenged. The Nanjing Project company entrusted Greentown to manage the quality, cost, sales and cash flow budget and other management objectives of the project construction and management, but all fell short of expectations. The Nanjing Project company had to make adjustments to its management model, which led to a longer period of suspension in sales, which adversely affected the achievement of Nanjing Project company for its annual target;

– Completion of the drilling of hot spring well with depth of approximately 3,300 meters as mentioned above; and

– The revised planning of subsequent residential plots and grand landscape area was submitted to management for review in December 2020.

Update on the proposed commercial development at Port Dickson, Malaysia

The development plan of the first phase of proposed commercial development at Port Dickson, Malaysia has already been submitted to the relevant government agencies for approval and the part of the plan related to the building of berths has already been approved. Due to the Covid-19 epidemic, the development progress of the project has been significantly affected. As a result, the local management of Pacific Memory has revised the development plan and resubmitted it to The Port Dickson Municipal Council in October 2020. According to the revised development plan, there are two phases for the development. Phase 1 consists of hotel, wellness center, village spa and service apartment. Phase 2 consists of property development for commercial purposes. On 1 November 2020, The Port Dickson Municipal Council agreed to extend the planning approval validity period of phase 1 to 1 November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Money lending business

The segmental revenue being interest income from the Group's money lending business in 2020 was HK$4.9 million (2019: HK$12.5 million). Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 7% per annum to 24% per annum during the year under review. Total loans receivables as at 31 December 2020 were HK$69.6 million (31 December 2019: HK$41.0 million) after reviewing the risk of default of individual borrowers and making an impairment allowances of approximately HK$3.2 million (2019: HK$3.0 million).

Coal mining business

In 2020, the Group did not have any production at the coal mine project in Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine") and therefore no revenue was recognized for the coal mining business in 2020.

As disclosed in the Company's announcement dated 6 July 2018, PT Bara Utama Persada Raya, a non-wholly owned subsidiary of the Company which holds the license of a coal mine in the Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine"), signed an co-operation agreement with PT Sinarjaya Mulia Kun ("PT SMK"), a party independent of the Company and its connected persons, to conduct mining activities at the PT Bara Mine. The pre-mining construction works commenced in early July 2018 and were completed in November 2018, but PT SMK is still in negotiation with the local landlord on the use of its access road and jetty (where coal is unloaded for shipment to the customers). Due to the Covid-19 epidemic, it has been more difficult to reach out to the landlord and the process was inevitably delayed. The negotiation situation, coupled with the drop of coal prices in recent months, has further held back the coal production progress. As at the date of this announcement, the PT Bara Mine has not commenced coal production. The Company will closely monitor the situation and will inform shareholders of the Company of any further development of the PT Bara Mine as and when appropriate.

According to the co-operation agreement with PT SMK, all contracts for arrangement of infrastructure building and equipment purchasing and hiring will be entered or committed by PT SMK, therefore no capital expenditure was incurred by the Company's coal mining business in 2020.

Operating expenses related to the Group's mining business charged to statement of profit or loss and other comprehensive income were mainly administrative expenses and amounted approximately HK$2.2 million in 2020 as compared to HK$2.1 million in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The coal resource estimates as at 31 December 2020 were as follows:

	Coal Resource Estimate *(in thousand tonnes)*			
	As at 31 December 2020	As at 31 December 2019	**Change in %**	**Reason of change**
JORC Category				
Measured	**8,705**	8,705	Nil	N/A
Indicated	**11,537**	11,537	Nil	N/A
Inferred	**6,097**	6,097	Nil	N/A
Total	**26,339**	26,339		

The above coal resources estimate of the PT Bara Mine as at 31 December 2020 were the same as they were previously disclosed in the report dated 2 June 2011 (the "2011 Report") prepared by Roma Oil and Mining Associates Limited ("Roma") under the JORC Code and there was no material change to the status of the project since then except for, as mentioned above, some pre-mining construction works that were completed in November 2018.

Review of fair value of exploration and evaluation assets

The Company had engaged Graval Consulting Limited ("Graval") to assist the management to determine the fair value (the "2020 Valuation") and the impairment, if any, of the PT Bara Mine for the year ended 31 December 2020. Graval, after considering the different approaches of valuation of asset, had selected to use the Comparable Transaction Method under the market approach in the 2020 Valuation. The same methodology and method were selected and used in the valuation of the PT Bara Mine since 2013.

Adjustments were made on coal price due to the fact that the comparable transactions occurred at different times when the coal prices were differed from that on the valuation date. Graval has adopted the Indonesia thermal coal reference prices which are sourced from Kementerian Energi dan Sumber Daya Mineral for price adjustment. The coal price of US$58.17/tonne was determined by Graval as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The selected comparable transactions of coal projects in Indonesia completed around 5 years from the valuation date are set forth in the table below:

Table 1 – Details of comparable transactions

Transaction Date	Acquirer Name	Target Name	*(%)*	M&I Resources *(million tonne)*	Consideration *(USD million)*
19 July 2019	Prime Empire Investment Pte Ltd	PT Multi Tambangjaya Utama	15%	75	10
11 January 2019	PT PLN Coal Investment	PT Banyan Koalindo Lestari	51%	44	24
16 August 2018	Banpu Plc Thailand	PT Nusa Persada Resources	100%	143	30
20 September 2016	PT Golden Energy Mines Tbk PT Kuansing Inti Makmur	PT Era Mitra Selaras	100%	98	37
18 July 2016	Geo Energy Resources Ltd	PT Tanah Bumbu Resources	99%	55	90
26 December 2015	Geo Energy Resources Ltd	Borneo International Pte Ltd	34%	56	25
30 November 2015	Agritrade Resources	PT Merge Mining Holding Ltd	51%	144	50

MANAGEMENT DISCUSSION AND ANALYSIS

The relevant coal prices used for the comparable transactions are shown in the table below:

Table 2 – Coal Prices utilised in the comparable valuations

Transaction Date	Event	Coal Price *(USD/tonne)*	Coal Price per tonne *(USD)*
31 December 2020	**Graval effective valuation date for the mineral asset**	**58.17**	
19 July 2019	Prime Empire Investment Pte Ltd acquired PT Multi Tambangjaya Utama	91.90	0.56
11 January 2019	PT PLN Coal Investment acquired PT Banyan Koalindo Lestari	98.70	0.63
16 August 2018	Banpu Plc Thailand acquired PT Nusa Persada Resources	97.19	0.13
20 September 2016	PT Golden Energy Mines Tbk and PT Kuansing Inti Makmur acquired PT Era Mitra Selaras	54.31	0.41
18 July 2016	Geo Energy Resources Ltd acquired PT Tanah Bumbu Resources	53.90	1.79
26 December 2015	Geo Energy Resources Ltd acquired Borneo International Pte Ltd	60.13	1.28
30 November 2015	Agritrade Resources acquired PT Merge Mining Holding Ltd	61.05	0.65

MANAGEMENT DISCUSSION AND ANALYSIS

To utilize the comparable transactions above in valuing the mineral asset, the in-ground coal endowment of the PT Bara Mine is established as follows:

Table 3 – Attributable coal resources of mineral asset

Resources Category	**Coal resources Tonnes** *(Million Tonne)*	**Graval Factor**	**Factorised Tonnes** *(Million Tonne)*
Measured	8.71	100%	8.71
Indicated	11.54	80%	9.23
Inferred	6.10	0%	–
Total	26.35		17.94

In accordance with the VALMIN Code (2015), Graval is required to precisely study the procedure on how resource estimation was done. Based on the Technical Report and Resource Statement of the Project prepared by SRK dated September 2010, there is no mention of whether outcrops of each seams have been adjusted in the process of resource estimation and the depth of each seam used for resource estimation remains unknown. Given the uncertainties, an estimated 20% discount on the Indicated Resources has been applied.

MANAGEMENT DISCUSSION AND ANALYSIS

Based on the 2020 Valuation, the recoverable amount of the exploration and evaluation assets was less than the carrying amount as at 31 December 2020. Accordingly, an impairment loss of HK$34.0 million was recognized for the year ended 31 December 2020 (2019: HK$86.7 million).

Manufacture and sale of healthcare and household products

As mentioned in our Interim Report 2020, the revenue of the Group's manufacturing business has decreased by 23.0% in the first half of 2020 when compared to the corresponding period in 2019, but such downward trend slowed down in the second half of 2020. Full year revenue for 2020 decreased by approximately HK$36.5 million or by 19.6% to HK$149.8 million as compared to HK$186.3 million in 2019. The decrease in revenue is mainly attributable to the drop in sales to the PRC which decreased by approximately HK$26.3 million mainly due to stiff competition in the electric toothbrushes market and the impact of the Covid-19 epidemic. Sales to the USA increased by approximately HK$4.7 million. In addition to the organic growth, the growth was attributed to the introduction of certain new products. Sales to Hong Kong and other countries decreased by approximately HK$1.2 million mainly due to the impact of the Covid-19 epidemic which is less for South East Asian countries. Sales to Europe also decreased, with a drop in sales of France and Germany of HK$2.0 million and HK$5.2 million respectively.

Gross profit margin decreased from approximately 33.8% in 2019 to approximately 26.6% in 2020 mainly due to decrease in revenue resulting in a higher per-item fixed production costs since fixed production costs had no significant change over the year. Gross profit decreased by HK$23.1 million to HK$39.9 million in 2020 as compared to HK$63.0 million in 2019. The decrease in gross profit was attributable to the abovementioned decrease in revenue. Overall, the Group's manufacturing business recorded a segmental profit of HK$1.9 million in 2020 as compared to profit of HK$20.9 million in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Other gains and losses

The Group recorded a loss of approximately HK$67.2 million in 2020 as compared to loss of approximately HK$71.9 million for the year ended 31 December 2019 which was mainly due to the combined effects of the following reasons:

(i) the abovementioned reasons for decrease in profit of the money lending business and the manufacturing and sale of healthcare and household products;

(ii) other income increased by approximately HK$4.5 million mainly due to increase in other interest income with increase in loans receivables and the government subsidies from Employment Support Scheme amounted to approximately HK$2.6 million;

(iii) administrative expenses increased by approximately HK$26.9 million mainly due to the administrative expenses incurred by the subsidiaries of the Dongguan Project and Nanjing Project, which were acquired during the year;

(iv) net loss of HK$13.6 million on fair value changes on financial assets at fair value through profit or loss in 2019 with no such amount for current year since all the investments were disposed of during the year ended 31 December 2019;

(v) during the year ended 31 December 2019, the Group recognized a gain on bargain purchase of approximately HK$102.5 million in the acquisition of Hong Kong Zhongzheng City Investment Limited. During the year ended 31 December 2020, the Group again recognized a gain on bargain purchase of approximately HK$42.8 million in the acquisition of Qianhai Huateng, Dongguan Project and Nanjing Project. The gain on the bargain purchase was an one-off non-cash adjustment which has no impact on the Group's operating cash flow;

(vi) the Company has carried out review of the recoverable amount of certain property, plant and equipment and other assets. Accordingly, during the year ended 31 December 2020, the reviews led to the recognition of an impairment loss on exploration and evaluation assets of approximately HK$34.0 million (2019: HK$86.7 million).

(vii) share of results of associates changed from loss of approximately HK$27.1 million for the year ended 31 December 2019 to profit of approximately HK$1.2 million for the year ended 31 December 2020. In addition to the 35% interest held by the Group in Pacific Memory, the increase was due to the 42.5% interest in CITIC Jinyu, which was part of the acquisition of the company principally engaged in primary land development project in the PRC; and

(viii) finance costs decreased by HK$10.2 million to HK$18.6 million (2019: HK$28.8 million) mainly due to settlement of shareholders loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospect

The construction development of the Luanping Project, Dongguan Project and Nanjing Project resumed from the Covid-19 aftermath. However, the land auction for the Luanping Project was delayed as a result of the Covid-19 epidemic. In face of the deleveraging of the property development enterprises implemented by the government, the secondary property developers are less willing to purchase land and as a result, the area of land transfer for the Luanping Project was lower than expected. Besides, the pricing trend of the PRC real estate remains uncertain as the PRC government intends to implement the "housing is for living and not for speculation" policy to get rid of the bubbles in the market. This has caused pressure on financial institutions to deleverage their finance, leading to a tightening of mortgage policies. Although the Dongguan Project and Nanjing Project are smaller scale property development projects, buyers may also find it more difficult to obtain mortgages from banks. These factors have created uncertainty to the overall domestic property development industry which may impact the Luanping Project, Dongguan Project and Nanjing Project. The Board needs to thoroughly evaluate the ability of these projects to withstand policy changes and capital chain risks in order to make judgments and actions that are in line with the interests of the Company and the Shareholders.

In relation to the Group's manufacture and sale of healthcare and household products, Fairform Manufacturing Company Limited, being a subsidiary of the Group, is one of the PRC's largest manufacturer of powered oral care products. With over four decades of experience in the industry, and led by knowledgeable leaders and specialists, the Group aspires to be the preferred partner for innovative and sustainable oral care solutions to meet the needs of global brands and retailers.

The Group has been partnering with various global brands, including but not limited to, P&G, Philips and Panasonic. The Disney's licensed kids toothbrush project with P&G has gained a huge market share in the North America both at the retail industry and e-commerce platform. The project is expected to be rolled out in new markets such as Australia, South Korea and India in the coming year.

The Group is in the second stage of a bidding for a project in relation to the manufacturing of a styled hair trimming device which is targeted to be sold globally. It is also bidding two contracts in Europe in relation to the manufacturing of rechargeable toothbrush. In North America, the Group is bidding a contract for the manufacturing of electric toothbrush.

The collaborations with different international brands provide them a more cost efficient and direct solution to enter into the PRC Market. Ultimately, the Group targets to leverage on their technical capabilities to further improve its production chain and eventually develops its own brand and sells the products directly into the market.

MANAGEMENT DISCUSSION AND ANALYSIS

As more people realised the benefits in the technology of powered oral products, the Group is confident about its development and is optimistic on the prospects of the healthcare and household products business. It expects the sales in 2021 will be higher than that in 2020 due to a significant increase in purchase orders.

THE GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

Cash position

As at 31 December 2020, the Group had cash and bank deposits of HK$177.1 million (2019: HK$166.9 million) including a foreign currency deposits denominated in Renminbi ("RMB") amounted to HK$169.8 million (2019: HK$5.8 million).

Current ratio

As at 31 December 2020, the Group had net current assets of HK$462.6 million (2019: HK$108.2 million) and current ratio (being current assets over current liabilities) of 1.26 (2019: 1.32).

Debts and borrowings

As at 31 December 2020, the Group had total debts and borrowings of HK$1,382.1 million (2019: HK$320.3 million) which included unsecured loan from a financial institute, secured bank loan, unsecured other loans and secured factoring loans.

Gearing ratio

The Group's gearing ratio being total debt over total equity is 97.0% (2019: 23.1%).

Exposure to Fluctuation in Exchange Rates, Interest Rates and Related Hedges

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

The interest rates profiles of the Group's borrowings are mainly at fixed rates. The Group has minimal exposure to interest rate risk, and the Group's operating cash flows are substantially independent of changes in market interest rates. The Group does not hedge against interest rates risk.

MANAGEMENT DISCUSSION AND ANALYSIS

Fund Raising Activities

The Company has not conducted any fund raising activities in 2020.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Company completed the acquisition of Qianhai Huateng, Dongguan Project and Nanjing Project on 19 March 2020. The above companies have become subsidiaries of the Company and their financial results were consolidated in the results of the Group for the year ended 31 December 2020. For details of the acquisition, please refer to the paragraph headed "Land and property development projects" above.

Saved as disclosed above, the Group had no other significant investments held, nor any material acquisition nor disposal in 2020.

PLEDGE OF ASSETS

As at 31 December 2020, certain land and buildings, amounted to approximately HK$59,060,000 (2019: approximately HK$51,168,000) of the Group were pledged to secure banking facilities granted to the Group. Trade and bills receivables of the Group amounted to approximately HK$677,000 (2019: approximately HK$599,000) were pledged under factoring arrangement. Properties under development for sale of the Group amounted to approximately HK$332,727,000 (2019: Nil) were pledged to secure bank borrowings granted to the Group.

MATERIAL CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 29 employees (2019: 25) in Hong Kong, 671 employees (2019: 753) in the PRC and 2 employees (2019: 1) in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit.

The Company has a share option scheme which was approved in a shareholders' special general meeting on 31 August 2015 (the "2015 Share Option Scheme"). Under the 2015 Share Option Scheme, the Company may offer share options to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of the 2015 Share Option Scheme were set out in the Company's circular dated 14 August 2015. No share options were granted or exercised during both 2020 and 2019 under the 2015 Share Option Scheme.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The board of directors of the Company (the "Board") commits to maintain and ensure high standards of corporate governance and has adopted the provisions contained in the Code on Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2020 except for the deviations as disclosed in this report. This report also outlines the main corporate governance processes and practices adopted by the Company with specific reference to the provisions of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 December 2020.

BOARD OF DIRECTORS

The Company is led and controlled through the Board. Apart from its statutory responsibilities, the Board sets the Group's overall business and financial strategies as well as setting policies on various matters including major investments, key operational targets and financial control.

Following is the list of Directors during the year under review:

Executive Directors

Mr. Leung Chung Shan *(Chairman)*
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Qiu Qing *(CEO) (appointed on 17 April 2020)*
Mr. Liu Liyang
Mr. Gao Yuxiang *(appointed on 17 December 2020)*
Mr. Chan Tat Ming, Thomas *(resigned on 17 April 2020)*
Mr. Zhang Youjun *(appointed on 17 April 2020 and resigned on 17 December 2020)*

Non-executive Director

Mr. Lim Kim Chai, J.P.

Independent Non-executive Directors ("INEDs")

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

CORPORATE GOVERNANCE REPORT

The profiles of the Directors' qualifications and experience are set out on pages 3 to 7 of this annual report and at least one of the INEDs possesses recognized professional qualification in accounting. The Board is of the view that its current composition provides the necessary skill and experience for the requirements of the Group's business.

All INEDs have confirmed in writing to the Company that they meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

During the year ended 31 December 2020, the Company has complied with all provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the Provision A.4.1 stipulates that independent non-executive Directors ("INEDs") should be appointed for a specific term and subject to re-election. During the year under review, all INEDs of the Company were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. As all director's appointment is subject to review when they are due for re-election, the Company is of the view that this meets the same objectives of the said code provision.

DIRECTORS' TRAINING

Newly appointed Directors will be provided with necessary induction and information to ensure they have a proper understanding of the Group's operations and businesses as well as their responsibilities under the Listing Rules and the other applicable regulatory requirements. The Company appointed Mr. Qiu Qing and Mr. Zhang Youjun as executive Directors on 17 April 2020; and appointed Mr. Gao Yuxiang as an executive Director on 17 December 2020.

The Company had arranged and funded suitable training for the Directors to attend during the year under review. In 2020, all Directors had participated in continuous professional development to refresh their knowledge and skills and had provided the records of the training they received to the Company. The following table summarises the continuous professional development of each director had in 2020:

CORPORATE GOVERNANCE REPORT

	Type of continuous professional development	
	Attending seminars/trainings on relevant industrial development, regulatory updates or directors' duties	Reading regulatory updates or information relevant to directors' duties
Executive Directors		
Mr. Leung Chung Shan	✓	✓
Mr. Tam Lup Wai, Franky	✓	✓
Mr. Qiu Qing *(appointed on 17 April 2020)*	✓	✓
Mr. Liu Liyang	✓	✓
Mr. Gao Yuxiang *(appointed on 17 December 2020)*	✓	✓
Mr. Chan Tat Ming, Thomas *(resigned on 17 April 2020)*	N/A	N/A
Mr. Zhang Youjun *(appointed on 17 April 2020 and resigned on 17 December 2020)*	✓	✓
Non-executive Director		
Mr. Lim Kim Chai, J.P.	✓	✓
Independent Non-executive Directors		
Mr. Hau Chi Kit	✓	✓
Mr. Leung Chi Hung	✓	✓
Mr. Li Hon Kuen	✓	✓

AUDIT COMMITTEE

The Company's Audit Committee was established in December 1999. Following were the members during 2020:

Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung

The Audit Committee has adopted terms of reference which are in line with the Code. The primary function of the Audit Committee is to review and monitor the Group's financial reporting process and internal controls. It is also responsible for making recommendation to the Board for the appointment, re-appointment or removal of the external auditor.

During the year ended 31 December 2020, the Audit Committee had reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the audited financial statements and unaudited interim financial statements. The Audit Committee had also reviewed the resources, qualifications and experience of staffs of the Group's accounting and financial reporting function, and their training and budget, and was satisfied with their adequacy.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established in August 2005. Following were the members during 2020:

Mr. Leung Chi Hung *(Chairman)*
Mr. Hau Chi Kit
Mr. Li Hon Kuen
Mr. Qiu Qing *(appointed on 17 April 2020)*
Mr. Lim Kim Chai *(appointed on 16 July 2020)*
Mr. Liu Liyang *(resigned on 16 July 2020)*
Mr. Tam Lup Wai, Franky *(resigned on 16 July 2020)*

The Remuneration Committee has adopted terms of reference which are in line with the Code to make recommendations to the Board to determine the remuneration of Directors and senior management. During 2020, the Committee had assessed the performance of the executive directors and senior management and considered their remuneration by reference to their experiences and remuneration paid by comparable companies. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 13 to the financial statements.

NOMINATION COMMITTEE

The Company's Nomination Committee was established on 29 March 2012. Following were the members during 2020:

Mr. Leung Chung Shan *(Chairman) (resigned on 16 July 2020 and appointed on 28 July 2020)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Qiu Qing *(appointed on 17 April 2020)*
Mr. Liu Liyang *(resigned on 16 July 2020)*
Mr. Tam Lup Wai, Franky *(resigned on 16 July 2020)*
Mr. Lim Kim Chai *(appointed on 16 July 2020 and resigned on 28 July 2020)*

The Nomination Committee has adopted terms of reference which are in line with the Code. The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To develop and review the Company's policies and practices on corporate governance;

(ii) To review and monitor the training and continuous professional development of directors and senior management;

(iii) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(v) To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

BOARD, COMMITTEES AND OTHER MEETINGS

The following table summarises the total number of the meetings and the individual attendance of each Director in 2020:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	2020 Annual General Meeting	Special General Meeting on 2 July 2020
Executive Directors						
Mr. Leung Chung Shan *(Chairman)*	8/8	N/A	N/A	2/2	1/1	1/1
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*	8/8	N/A	2/3	1/2	1/1	1/1
Mr. Qiu Qing *(CEO)* [1]	6/8	N/A	1/3	1/2	1/1	1/1
Mr. Liu Liyang	8/8	N/A	2/3	1/2	1/1	1/1
Mr. Chan Tat Ming, Thomas [2]	2/8	N/A	N/A	N/A	N/A	N/A
Mr. Zhang Youjun [3]	6/8	N/A	N/A	N/A	1/1	1/1
Mr. Gao Yuxiang [4]	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive Director						
Mr. Lim Kim Chai, J.P.	8/8	N/A	1/3	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Leung Chi Hung	8/8	2/2	3/3	2/2	1/1	1/1
Mr. Hau Chi Kit	7/8	2/2	2/3	1/2	1/1	1/1
Mr. Li Hon Kuen	8/8	2/2	3/3	2/2	1/1	1/1

Notes:

1. Mr. Qiu Qing was appointed as executive Director and a member of each of the Remuneration Committee and the Nomination Committee of the Company on 17 April 2020
2. Mr. Chan Tat Ming, Thomas resigned on 17 April 2020
3. Mr. Zhang Youjun was appointed on 17 April 2020 and resigned on 17 December 2020
4. Mr. Gao Yuxiang was appointed on 17 December 2020

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparing of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results, and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates on a going concern basis.

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of ZHONGHUI ANDA regarding their report responsibilities is set out in the Independent Auditor's Report on pages 40 to 45 of this annual report.

The service fees incurred/paid by the Group in 2020 and 2019 to ZHONGHUI ANDA were as follows:

	2020	2019
Audit service	**HK$930,000**	HK$840,000
Non-audit service	**HK$300,000**	HK$870,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness at least annually. These systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve our corporate objectives. On the other hand, the management is responsible for the design, implementation and maintenance of the risk management and internal control systems.

The Company has adopted a top-down strategic risk management approach and a complementary bottom-up operational risk management process. Risk management starts from the top level with the Board to determine the nature and extent of risk it is willing to take according to our corporate objectives and put them in context of the external environment in which our operations are.

The Executive Directors, as part of the management, are responsible for identifying principal risks and the key risk indicators to monitor in accordance with the strategy set by the Board. The Executive Directors are also responsible for delivering the strategic actions to the operational level. At the operational level, the Head of business units are responsible to execute the strategic actions and report on key risk indicators. Typically these are achieved by implementing sound internal control systems. Internal control system is defined as a system of control procedures for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Different internal control systems have be set up for the Group's different business units. And to monitor the effectiveness of these systems, the management has also set up an internal audit function.

CORPORATE GOVERNANCE REPORT

Whilst responsibility for oversight of risk management rests with the Board, the effective day-to-day management of risk is embedded in all areas of our business and forms an integral part of our risk management system. As such, head of business units maintain regular communication with the Executive Directors to report current and emerging risks. Such bottom-up process ensures potential risks are identified and mitigated and significant risks escalated to the Board for consideration as appropriate.

In 2020, the Board through the Audit Committee and the internal audit function, had conducted a review of the effectiveness of material controls, including financial, operational and compliance controls, of the Group's major risk management and internal control systems and the Company considers these systems effective and adequate. The review process included formulating audit plan, approving audit program and reviewing internal audit function's working.

DISCLOSURE OF INSIDE INFORMATION

The Group has internal policy and procedures which strictly prohibit unauthorized use of inside information. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers are authorized to respond to external enquiries about the Group's affairs.

COMPANY SECRETARY

Mr. Situ Min had undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year under review.

COMMUNICATION WITH SHAREHOLDERS

The annual general meeting provides a useful channel for Shareholders to communicate with the Board. All Shareholders have at least 20 clear business days' notice of annual general meeting at which Directors are available to answer questions on the Company's affair. Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual Director. Pursuant to Rule 13.39 of the Listing Rule, any votes of the Shareholders at a general meeting must be taken by poll.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding at the date of deposit of the written requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office and principal place of business of the Company in Hong Kong, specifying the shareholding information of the shareholder, their contact details and the proposal regarding any specified transaction/business and its supporting documents. The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. If within twenty one days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Forward Proposals at General Meetings

Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures as set out in the above "Convening of extraordinary general meeting by Shareholders".

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office and principal place of business in Hong Kong at Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 42 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2020 are set out in note 9 to the financial statements.

BUSINESS REVIEW

The business review of the Group for year ended 31 December 2020 including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the group's business, can be found in the Chairman's Statement and Management Discussion and Analysis which set out on pages 8 to 9 and pages 10 to 23 respectively of this Annual Report. Details about the Group's financial risk management are set out in note 5 to the Consolidated Financial Statements.

The Group is committed to adopt environmentally responsible practices throughout its operations. The key points of our environmental policy to achieve this are:

– Comply with all the environmental laws and regulations that relate to the Group's operations;

– Prevent the environmental impact of our products throughout their design and manufacturing process;

– Ensure every employee understands and is responsible for incorporating environmental considerations in their daily business activities; and

– Pursue continuous improvement in environmental performance.

The Company's principal subsidiary Dongguan Weihang Electrical Product Company Limited has been accredited with ISO 14001, an environmental management system certification, since 2007.

During the year ended 31 December 2020, the Group had complied with the relevant laws and regulations that have a significant impact on the Group.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during 2020 is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	57%	–
Five largest customers in aggregate	82%	–
The largest supplier	–	11%
Five largest suppliers in aggregate	–	30%

At no time during the year have the Directors, their associates or any Shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interesting in these major customers and suppliers.

FINANCIAL RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2020 and the state of the Group's affairs as at that date are set out in the financial statements on pages 46 to 126.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2020 are set out in note 37 to the financial statements and the consolidated statement of changes in equity on page 51 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 18 to the financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Particulars of the Company's subsidiaries are set out in note 42 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2020 are set out in note 35 to the financial statements.

REPORT OF THE DIRECTORS

CONVERTIBLE BONDS

The Company has no convertible bonds in issue during the year ended 31 December 2020.

DIRECTORS

As at the date of this report, the board of Directors of the Company (the "Board") comprises:

Executive Directors

Mr. Leung Chung Shan *(Chairman)*
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Qiu Qing *(CEO) (appointed on 17 April 2020)*
Mr. Liu Liyang
Mr. Gao Yuxiang *(appointed on 17 December 2020)*

Non-executive Director

Mr. Lim Kim Chai, J.P.

Independent non-executive Directors

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

Pursuant to Bye-law 86(2), any Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Gao Yuxiang who was appointed on 17 December 2020, will retire from office at the annual general meeting and, being eligible, will put himself up for re-election at the forthcoming annual general meeting.

Pursuant to Bye-law 87, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation. Accordingly, Mr. Leung Chung Shan, Mr. Hau Chi Kit and Mr. Li Hon Kuen will retire from office by rotation and being eligible, put themselves up for re-election in the Company's forthcoming annual general meeting in 2021.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 and the Company still considers the independent non-executive Directors to be independent.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company was in force throughout the year ended 31 December 2020. The Company has undertaken Director and Officers Liability Insurance to provide such indemnity to all Directors of the Company.

DIRECTORS' SERVICE CONTRACT

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

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

As at 31 December 2020, except for Mr. Leung Chung Shan, the chairman and executive Director of the Company, Mr. Lim Kim Chai, the non-executive Director of the Company and Mr. Qiu Qing, being an executive Director and the CEO of the Company, none of the Directors and chief executive of the Company nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

The interests of Mr. Leung Chung Shan, Mr. Lim Kim Chai and Mr. Qiu Qing in shares of the Company as at 31 December 2020 was disclosed in the section titled "Substantial Shareholders' and Other Persons Interests and Short Positions in Shares and Underlying Shares."

SHARE OPTION SCHEME

The Company has an option scheme which was approved in a Shareholders' special general meeting on 31 August 2015 ("Share Option Scheme 2015"). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during 2020 under Share Option Scheme 2015.

The total number of securities available for issue under the Share Option Scheme 2015 is 96,186,832 shares, which represents 0.90% of the issued shares as at the date of the annual report.

The maximum entitlement of each participant under the Share Option Scheme 2015 in any 12-month period shall not exceed 1% of the issued shares for the time being.

Save as disclosed above, none of the Directors or chief executive of the Company or their spouses or children aged below 18 had any right to subscribe for equity or debt securities of the Company or had exercised any such right during the year under review.

DIRECTORS' EMOLUMENTS

Particulars of the Directors' emoluments disclosed pursuant to section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 13 to the financial statements.

REPORT OF THE DIRECTORS

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

As at 31 December 2020, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions of substantial shareholders in the shares and underlying shares

Name of Shareholders	Capacity	Number of Shares Held	Approximate % of Shareholding[1]
Leung Chung Shan[2]	Beneficial owner	4,233,534,364	39.48%
Shek Ying[3]	Interest of spouse	4,233,534,364	39.48%
Lim Kim Chai, J.P.[4]	Beneficial owner	1,569,420,951	14.64%
Qiu Qing[5,6]	Beneficial owner	1,259,861,773	11.75%
Shenzhen Tianji Nanlian Investment Partnership (Limited Partnership)* 深圳天基南聯投資合夥企業(有限合夥) ("TJNL")	Interest of controlled corporation	1,259,861,773	11.75%
Hong Kong Zhongzheng Investment Co. Ltd.	Interest of controlled corporation	1,259,861,773	11.75%
CITIC Securities Co., Ltd.[7] ("CITIC")	Interest of controlled corporation	678,387,108	6.33%

Notes

1. Based on 10,721,666,832 shares of the Company in issue as at 31 December 2020.

2. Mr. Leung Chung Shan is the chairman and executive Director of the Company.

3. Ms. Shek Ying, being the spouse of Mr. Leung Chung Shan, is deemed to be interested in Mr. Leung Chung Shan's interest in the Company by virtue of the SFO.

4. Mr. Lim Kim Chai, J.P. is the non-executive Director of the Company.

5. The 1,259,861,773 shares which were deemed to be interested by Mr. Qiu Qing were held by Hong Kong Zhongzheng Investment Co. Ltd., for which TJNL has 38.46% interest and then Mr. Qiu Qing has 64% interest in TJNL.

6. Mr. Qiu Qing is the executive Director of the Company.

7. CITIC holds 100% direct interest in GoldStone Investment Co., Ltd* (金石投資有限公司) and accordingly deemed to have an interest in the shares held by GoldStone Investment Co., Ltd*.

* *For identification purpose only*

Save as disclosed above, as at 31 December 2020, no other person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACT

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2020.

DISTRIBUTABLE RESERVES

The Company's share premium account, with a balance of HK$878,200,000 as at 31 December 2020, may be applied in paying up unissued shares of the Company to be issued to the Shareholders of the Company as fully paid bonus shares.

The Company's contributed surplus account, with a balance of HK$626,537,000 as at 31 December 2020, is distributable subject to satisfaction of certain solvency requirements and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the Bye-law of the Company.

Save as disclosed above, the Company had no reserves available for distribution to Shareholders of the Company, as computed in accordance with the Companies Act 1981 of Bermuda.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions for the year are set out in note 42 to the consolidated financial statements.

Other than disclosed elsewhere in the annual report, there were no transactions that need to be disclosed as connected transactions under Chapter 14A of the Listing Rules during the year under review and the Company has complied with the requirements in Chapter 14A of the Listing Rules.

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

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

REPORT OF THE DIRECTORS

LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Particulars of loans from banks and other financial institutions of the Group as at 31 December 2020 are set out in notes 29 and 31 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 127 of this annual report.

PENSION SCHEME

The Group operates a mandatory provident fund scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans (the "Plans") organized by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other material obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

Details of the pension scheme contributions of the employees, net of forfeited contributions, which have been dealt with in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020, are set out in note 34 to the financial statements.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the Code except for the deviations disclosed in the "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee was established on 28 December 1999 with written terms of reference. As at the date of this annual report, the Audit Committee comprising four independent non-executive Directors, namely Mr. Li Hon Kuen (Chairman of the Audit Committee), Mr. Hau Chi Kit and Mr. Leung Chi Hung. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

AUDITOR

The financial statements of the Company for the year under review have been audited by ZHONGHUI ANDA, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting in 2021.

By Order of the Board

Leung Chung Shan
Chairman and Executive Director

Hong Kong, 26 March 2021

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
Zhongzheng International Company Limited (formerly known as eForce Holdings Limited)
中證國際有限公司(前稱意科控股有限公司)
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhongzheng International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 126, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

(i) Exploration and evaluation assets

Refer to Note 17 to the consolidated financial statements

The Group tested the amount of exploration and evaluation assets for impairment. This impairment test is significant to our audit because the balance of exploration and evaluation assets of approximately HK$107,970,000 as at 31 December 2020 and the impairment loss of approximately HK$34,030,000 for the year ended 31 December 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;

- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;

- Checking key assumptions and input data in the valuation model to supporting evidence; and

- Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for exploration and evaluation assets is supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

(ii) Interests in associates

Refer to Note 20 to the consolidated financial statements

The Group tested the amount of interests in associates for impairment. This impairment test is significant to our audit because the balance of interests in associates of approximately HK$1,200,663,000 as at 31 December 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the competence, independence and integrity of the external valuers engaged by client;

– Obtaining the external valuation reports and meeting with the external valuers to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation models to supporting evidence; and

– Checking arithmetical accuracy of the valuation models.

We consider that the Group's impairment test for interests in associates is supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

(iii) Properties under development for sale

Refer to Note 24 to the consolidated financial statements

The Group tested the amount of properties under development for sale for impairment. This impairment test is significant to our audit because the balance of properties under development for sale of approximately HK$1,559,362,000 as at 31 December 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Compare the actual development costs incurred with past budgeted costs to assess the reasonableness of the estimated completion costs of the properties under development for sale, and review the construction contracts undertaken; and

– Evaluate the reasonableness of the predicted selling prices used by the management with reference to the selling prices in the pre-sale agreements and the market prices of comparable properties.

We consider that the Group's impairment test for properties under development for sale is supported by the available evidence.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS 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.

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. We report our opinion solely to you, as a body, 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268
Hong Kong, 26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Continuing operations			
Revenue		**149,768**	186,314
Interest revenue		**4,924**	12,463
Total revenue	7	**154,692**	198,777
Cost of sales		**(109,920)**	(123,347)
Gross profit		**44,772**	75,430
Other income and other gains and losses	8	**6,286**	1,498
Selling and distribution expenses		**(6,699)**	(2,766)
Administrative expenses		**(103,534)**	(76,623)
Loss from operations		**(59,175)**	(2,461)
Impairment loss on exploration and evaluation assets		**(34,030)**	(86,690)
Net loss on fair value changes on investments at fair value through profit or loss		**–**	(13,575)
Impairment of loan and interest receivables		**(166)**	–
Gain on bargain purchase	36	**42,765**	102,508
Share of results of associates		**1,243**	(27,125)
Finance costs	10	**(18,638)**	(28,812)
Loss before tax		**(68,001)**	(56,155)
Income tax credit/(expense)	11	**809**	(1,182)
Loss for the year from continuing operations		**(67,192)**	(57,337)
Discontinued operations			
Loss for the year from discontinued operation		**–**	(14,581)
Loss for the year	12	**(67,192)**	(71,918)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Loss for the year attributable to:			
Owners of the Company			
From continuing operations		**(53,788)**	(56,327)
From discontinued operations		**–**	(14,158)
		(53,788)	(70,485)
Non-controlling interests			
From continuing operations		**(13,404)**	(1,010)
From discontinued operations		**–**	(423)
		(13,404)	(1,433)
		(67,192)	(71,918)
Loss for the year		**(67,192)**	(71,918)
Other comprehensive income/(loss):	*16*		
Items that may be reclassified to profit or loss:			
Release of exchange differences on disposal of subsidiaries		**–**	6,908
Exchange differences on translating foreign operations		**21,412**	9,710
Share of associates exchange differences on translating foreign operations		**29,092**	(30,225)
Items that will not be reclassified to profit or loss:			
Gain on property revaluation		**3,084**	2,692
Other comprehensive income/(loss) for the year, net of tax		**53,588**	(10,915)
Total comprehensive loss for the year		**(13,604)**	(82,833)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(3,738)**	(81,196)
Non-controlling interests		**(9,866)**	(1,637)
		(13,604)	(82,833)
Loss per share	15		
From continuing and discontinued operations			
Basic (cents per share)		**(0.50)**	(0.66)
Diluted (cents per share)		**N/A**	N/A
From continuing operations			
Basic (cents per share)		**(0.50)**	(0.53)
Diluted (cents per share)		**N/A**	N/A
From discontinued operations			
Basic (cents per share)		**N/A**	(0.13)
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Non-current assets			
Exploration and evaluation assets	*17*	**107,970**	142,000
Property, plant and equipment	*18*	**68,854**	62,959
Right-of-use assets	*19*	**26,616**	6,691
Interests in associates	*20*	**1,200,663**	1,170,328
		1,404,103	1,381,978
Current assets			
Inventories	*23*	**19,073**	30,315
Properties under development for sale	*24*	**1,559,362**	–
Trade and other receivables	*25*	**257,411**	150,145
Investments at fair value through profit or loss	*21*	**–**	870
Loans and interests receivables	*22*	**89,674**	44,317
Amount due from associates	*26*	**161,941**	49,750
Current tax assets		**938**	936
Bank and cash balances	*27*	**177,095**	166,852
		2,265,494	443,185
Current liabilities			
Trade and other payables	*28*	**(514,010)**	(92,383)
Promissory note	*30*	**(237,663)**	–
Lease liabilities	*32*	**(10,763)**	(6,226)
Borrowings	*29*	**(691,097)**	(619)
Shareholders loans	*31*	**(343,376)**	(230,000)
Current tax liabilities		**(6,017)**	(5,798)
		(1,802,926)	(335,026)
Net current assets		**462,568**	108,159
Total assets less current liabilities		**1,866,671**	1,490,137

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Lease liabilities	32	**(16,452)**	(738)
Borrowings	29	**(309,157)**	(12,177)
Shareholders loans	31	**(38,503)**	(77,525)
Deferred tax liabilities	33	**(77,666)**	(11,519)
		(441,778)	(101,959)
NET ASSETS		**1,424,893**	1,388,178
Capital and reserves			
Share capital	35	**429**	429
Reserves	37	**1,383,564**	1,387,302
Equity attributable to owners of the Company		**1,383,993**	1,387,731
Non-controlling interests		**40,900**	447
TOTAL EQUITY		**1,424,893**	1,388,178

The consolidated financial statements on pages 46 to 126 were approved and authorised for issue by the board of directors on 26 March 2021 and are signed on its behalf by:

Approved by:

Tam Lup Wai, Franky
Director

Liu Liyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Foreign currency translation reserve *HK$'000*	Warrant reserve *HK$'000*	Other reserve *HK$'000*	Property revaluation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2019	351	657,318	626,537	(50,072)	24,226	–	39,980	(83,624)	1,214,716	2,835	1,217,551
Issue of consideration shares	78	220,882	–	–	–	–	–	–	220,960	–	220,960
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	7,117	7,117
Disposal of subsidiaries	–	–	–	–	–	–	(5,552)	5,552	–	(2,412)	(2,412)
Return of capital to non-controlling	–	–	–	–	–	–	–	–	–	(5,456)	(5,456)
Discounting of shareholder's loan	–	–	–	–	–	33,251	–	–	33,251	–	33,251
Total comprehensive loss for the year	–	–	–	(13,403)	–	–	2,692	(70,485)	(81,196)	(1,637)	(82,833)
At 31 December 2019	429	878,200	626,537	(63,475)	24,226	33,251	37,120	(148,557)	1,387,731	447	1,388,178
At 1 January 2020	**429**	**878,200**	**626,537**	**(63,475)**	**24,226**	**33,251**	**37,120**	**(148,557)**	**1,387,731**	**447**	**1,388,178**
Acquisition of subsidiaries (note 36)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50,319**	**50,319**
Total comprehensive loss for the year	**–**	**–**	**–**	**46,966**	**–**	**–**	**3,084**	**(53,788)**	**(3,738)**	**(9,866)**	**(13,604)**
At 31 December 2020	**429**	**878,200**	**626,537**	**(16,509)**	**24,226**	**33,251**	**40,204**	**(202,345)**	**1,383,993**	**40,900**	**1,424,893**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Cash flows from operating activities		
Loss before tax	**(68,001)**	(70,892)
Adjustments for:		
Share of results of associates	**(1,243)**	27,125
Loss on disposal of subsidiaries	**–**	7,362
Finance costs	**18,638**	29,401
Interest income	**(1,614)**	(332)
Depreciation of right-of-use assets	**10,187**	6,863
Amortisation of intangible assets	**–**	6,250
Depreciation of property, plant and equipment	**4,691**	5,787
Impairment loss on exploration and evaluation assets	**34,030**	86,690
Impairment of loans and interests receivables	**166**	–
Gain on bargain purchase	**(42,765)**	(102,508)
Net loss on fair value changes on investment at fair value through profit or loss	**–**	13,575
Loss/(gain) on disposals of property, plant and equipment	**972**	(37)
Operating (loss)/gain before working capital changes	**(44,939)**	9,284
Change in inventories	**11,242**	4,774
Change in trade receivables and other receivables	**32,925**	(767)
Change in loans and interests receivables	**(45,523)**	85,934
Change in properties under development for sale	**(307,806)**	–
Change in other assets	**–**	(4,145)
Change in trade and other payables	**306,835**	(38,838)
Change in investment at fair value through profit or loss	**870**	481
Cash (used in)/generated from operations	**(46,396)**	56,723
Interests received	**1,614**	332
Tax paid	**–**	(2,545)
Net cash (used in)/generated from operating activities	**(44,782)**	54,510

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Cash flows from investing activities		
Acquisition of subsidiaries	**27,843**	(279,484)
Purchase of property, plant and equipment	**(2,738)**	(1,327)
Proceeds from disposal of property, plant and equipment	**–**	1,156
Change in amounts due from associates	**(112,191)**	(27,869)
Disposal of subsidiaries	**–**	78,982
Net cash used in investing activities	**(87,086)**	(228,542)
Cash flows from financing activities		
New borrowings	**385,599**	13,632
Capital refunded to non-controlling interest	**–**	(5,456)
Repayment of borrowings	**(345,954)**	(5,797)
Advance from shareholders	**469,340**	560,000
Repayment of shareholders loans	**(393,313)**	(245,000)
Net decrease in factoring loans	**–**	(1,563)
Change in amount due to shareholders	**–**	4,539
Repayment of lease liabilities	**(11,125)**	(7,672)
Interests paid	**–**	(72)
Net cash generated from financing activities	**104,547**	312,611
Net (decrease)/increase in cash and cash equivalents	**(27,321)**	138,579
Cash and cash equivalents at the beginning of the year	**166,852**	18,292
Effect of changes in foreign exchange rate	**37,564**	9,981
Cash and cash equivalents at the end of the year	**177,095**	166,852
Analysis of cash and cash equivalents		
Bank and cash balances	**177,095**	166,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Zhongzheng International Company Limited was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

On 2 July 2020, the Company has formally changed its name from "eForce Holdings Limited" to "Zhongzheng International Company Limited" in order to better reflect the status of the business for the Group and its future development direction.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 42 to the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS'

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and investment at fair value through profit or loss held by the Company which are carried at their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, financial assets at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (Impairment of assets) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Interest in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Revaluation increases of land and buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs/revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land and buildings	30 years
Leasehold improvements	Shorter of unexpired lease term or estimated useful life
Plant and machinery	5 years
Furniture, fixtures, office equipment and motor vehicles	3 to 5 years
Moulds and tools	5 years

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

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less accumulated impairment losses. Exploration and evaluation assets include the cost of exploration and exploitation rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as intangible assets and property, plant and equipment.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	50%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost; and

– Investment at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(ii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

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

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

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

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

(i) The entity and the Company 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 purpose of allocating resources and assessing the performance of the Group's various lines of business.

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 productions 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.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 expenditures 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 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 is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) *Split of land and building elements*

The Group determines that the lease payments cannot be allocated reliably between the land and building elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty

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

(a) Impairment of exploration and evaluation assets

The Group tests annually whether exploration and evaluation assets have suffered any impairment in accordance with the accounting policy stated in note 3 to the consolidated financial statements. An impairment loss is recognised when the carrying amount of exploration and evaluation assets exceeds their recoverable amount. In determining the recoverable amount, certain estimates have been involved based on the events or changes in circumstances as stated in the accounting policy.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loans, and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Allowance for properties under development for sales

The management estimates the net realisable value for properties under development for sales. Significant judgement is required by the management in determining the prices at which the properties will be sold as the property prices in the PRC may be, from time-to-time, affected by macroeconomic control measures executed by the PRC government.

(d) Fair value of land and buildings

The Group appointed an independent professional valuer to assess the fair value of the land and buildings. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write- back in the period in which such estimate has been changed.

(f) Impairment of interests in associates

The interests in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the interests in associates exceeds their recoverable amounts. The recoverable amounts are determined with reference to the higher of value in use and fair value less costs of disposal. Where the recoverable amounts are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of recoverable amounts, a material impairment loss may arise.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The carrying amount of the cash and bank balances, investment at fair value through profit or loss, trade, loans, interests and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over approximately 56% (2019: 61%) of the revenue for the year and shared over approximately 90% (2019: 32%) of the trade receivables at the end of the reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverable of the receivables and there is no recent history of default for the customer.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when the Group determine that the debtor does not have assets or source of income that could generate sufficient cash flow to repay the amounts subject to write-off. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan and other receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2020			
Borrowings	**712,737**	**29,480**	**306,210**
Shareholders loans	**366,315**	**879**	**41,409**
Promissory note	**237,663**	**–**	**–**
Trade and other payables	**514,010**	**–**	**–**
At 31 December 2019			
Borrowings	1,217	6,344	5,206
Shareholders loans	236,488	87,374	–
Trade and other payables	87,844	–	–

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits, borrowings and unsecured other loans.

Secured bank and other loans are arranged at fixed interest rates and expose the Group to fair value interest rate risks. Other bank deposits and borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 December 2020, as the Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(f) Categories of financial instruments at 31 December

	2020 *HK$'000*	2019 *HK$'000*
Financial assets		
Investment at fair value through profit or loss		
– Mandatorily measured	**–**	870
Financial assets at amortised cost (including cash and cash equivalent)	**691,447**	409,871
Financial liabilities		
Financial liabilities at amortised cost	**1,896,143**	412,704

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 December:

	Fair value measurements using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2020**
Description	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Land and buildings	**–**	**–**	**59,060**	**59,060**

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2019
Description	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Land and buildings	–	–	53,153	53,153
Investment at fair value through profit or loss				
– Listed equity securities	870	–	–	870
Total recurring fair value measurements	870	–	53,153	54,023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

	Land and buildings	
	2020	2019
Description	***HK$'000***	*HK$'000*
At 1 January	**53,153**	63,862
Total gains recognised in other comprehensive income	**4,111**	3,589
Depreciation	**(1,618)**	(1,633)
Disposal of subsidiaries	**–**	(11,800)
Exchange difference	**3,414**	(865)
At 31 December	**59,060**	53,153

The total gains recognised in other comprehensive income are presented in gain on property revaluation in the statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2020:

The Group's directors are responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors at least twice a year.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2020 *HK$'000*
Land and buildings	Replacement cost	Market value for the existing use of the land	RMB1,260-3,239/m^2	Increase	
		Current cost of replacing the improvements	RMB1,500/m^2	Increase	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	51%	Decrease	**59,060**

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 *HK$'000*
Land and buildings	Replacement cost	Market value for the existing use of the land	RMB995-1,447/m^2	Increase	
		Current cost of replacing the improvements	RMB1,200-1,650/m^2	Increase	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	38-46%	Decrease	53,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. REVENUE

The Group's revenue represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax. The amount of revenue recognised during the year represents manufacture and sales of healthcare and household products and interest income from money lending business. An analysis of the Group's revenue for the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
Manufacture and sales of healthcare and household products	**149,768**	186,314
Production and trading of agricultural and fertilizers products	**–**	7,004
Revenue from contracts with customers *(Note)*	**149,768**	193,318
Interest income from money lending business	**4,924**	12,463
Total revenue	**154,692**	205,781
Representing		
Continuing operations	**154,692**	198,777
Discontinued operations	**–**	7,004
	154,692	205,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. **REVENUE** *(Continued)*

Note:

Disaggregation of revenue from contracts with customers:

		2020	
Segments	**Healthcare & household products**	**Agriculture & fertilizers products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Geographical markets			
United States of America	**108,559**	**–**	**108,559**
The People's Republic of China (the "PRC")	**10,933**	**–**	**10,933**
Germany	**14,711**	**–**	**14,711**
France	**914**	**–**	**914**
United Kingdom	**1,755**	**–**	**1,755**
Japan	**1,535**	**–**	**1,535**
Hong Kong and others	**11,361**	**–**	**11,361**
Total	**149,768**	**–**	**149,768**

		2019	
Segments	Healthcare & household products	Agriculture & fertilizers products	Total
	HK$'000	*HK$'000*	*HK$'000*
Geographical markets			
United States of America	103,871	–	103,871
The PRC	37,268	7,004	44,272
Germany	19,881	–	19,881
France	2,961	–	2,961
United Kingdom	7,983	–	7,983
Japan	1,762	–	1,762
Hong Kong and others	12,588	–	12,588
Total	186,314	7,004	193,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. REVENUE *(Continued)*

Revenues from the sales of manufactured goods, trading of raw materials and moulds and trading of agricultural and fertilizer products are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Sales to customers are normally made with credit terms of 60 to 180 days. For new customers, cash on delivery may be required.

A receivable is recognised when the products are delivered to the customers as this is at the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2020	2019
	HK$'000	*HK$'000*
Income from scrap sales	**595**	629
Interest income	**1,614**	332
Government grants	**1,316**	–
(Loss)/gain on disposals of property, plant and equipment	**(972)**	37
Others	**3,733**	808
	6,286	1,806
Representing		
Continuing operations	**6,286**	1,498
Discontinued operations	**–**	308
	6,286	1,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has five (2019: four) reportable segments: property development (newly acquired during the year), primary land development, money lending business, coal mining business and manufacturing and sales of healthcare and household products.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include net gain/loss on fair value of investments at fair value through profit or loss, impairment of loan receivables, gain on bargain purchase, impairment loss on exploration and evaluation assets and unallocated corporate income and expenses. Segment assets do not include investments at fair value through profit or loss and other unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities. Segment non-current assets do not include financial instruments and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities:

	Property development	Primary land development	Money lending business	Coal mining business	Healthcare and household business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2020:						
Revenue	**–**	**–**	**4,924**	**–**	**149,768**	**154,692**
Segment (loss)/profit	**(32,528)**	**(3,710)**	**4,557**	**(2,159)**	**1,929**	**(31,911)**
Finance costs	**694**	**884**	**–**	**–**	**856**	**2,434**
Depreciation	**141**	**1,067**	**–**	**–**	**3,843**	**5,051**
Impairment of assets	**–**	**–**	**–**	**(34,030)**	**–**	**(34,030)**
Income tax expense	**–**	**–**	**–**	**–**	**96**	**96**
Additions to segment non-current assets	**18,764**	**–**	**–**	**–**	**1,969**	**20,733**
At 31 December 2020						
Segment assets	**1,768,683**	**830,600**	**57,803**	**107,068**	**137,257**	**2,901,411**
Segment liabilities	**1,416,359**	**307,137**	**81**	**–**	**97,474**	**1,821,051**
Year ended 31 December 2019:						
Revenue	–	–	12,463	–	186,314	198,777
Segment (loss)/profit	–	(29,854)	12,470	(2,154)	20,938	1,400
Finance costs	–	39	–	–	584	623
Depreciation	–	1,208	–	6	5,277	6,491
Impairment of assets	–	–	–	(86,690)	–	(86,690)
Income tax (credit)/expense	–	(156)	–	–	1,182	1,026
Additions to segment non-current assets	–	–	–	–	–	–
At 31 December 2019:						
Segment assets	–	607,048	44,245	141,144	154,694	947,131
Segment liabilities	–	10,105	–	–	86,579	96,684

The operation of trading of agricultural and fertilizers product in Liaoning and Nanjing was discontinued in the year 2019. The segment information reported does not include any amounts for the discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment revenue, profit and loss, assets and liabilities:

	2020 *HK$'000*	2019 *HK$'000*
Revenue:		
Total revenue of reportable segments	**154,692**	198,777
Revenue for the year from discontinued operations	**–**	7,004
Consolidated revenue for the year	**154,692**	205,781
Profit or loss:		
Total (loss)/profit of reportable segments	**(31,911)**	1,400
Loss for the year from discontinued operations	**–**	(14,581)
Net loss on fair value changes on investments at fair value through profit or loss	**–**	(13,575)
Gain on bargain purchase	**42,765**	102,508
Share of results of associates	**(1,155)**	(1,181)
Impairment on exploration and evaluation assets	**(34,030)**	(86,690)
Finance costs	**(16,204)**	(28,189)
Corporate and unallocated loss	**(26,657)**	(31,610)
Consolidated loss for the year	**(67,192)**	(71,918)
Assets:		
Total assets of reportable segments	**2,901,411**	947,131
Corporate and unallocated assets:		
– Bank and cash balances	**229**	142,880
– Investment at fair value through profit or loss	**–**	870
– Interests in associates	**627,176**	613,550
– Others	**140,781**	120,732
Consolidated total assets	**3,669,597**	1,825,163
Liabilities:		
Total liabilities of reportable segments	**1,821,051**	96,684
Corporate and unallocated liabilities		
– Shareholders loans	**381,879**	307,525
– Others	**41,774**	32,776
Consolidated total liabilities	**2,244,704**	436,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. SEGMENT INFORMATION *(Continued)*

Geographical information:

Segment	**2020** **Total revenue of reportable segments** ***HK$'000***	2019 Revenue for the year from discontinued operations *HK$'000*	2019 Total revenue of reportable segments *HK$'000*
Revenue:			
United States of America	**108,559**	–	103,871
The PRC	**10,933**	7,004	37,268
Germany	**14,711**	–	19,881
France	**914**	–	2,961
United Kingdom	**1,755**	–	7,983
Japan	**1,535**	–	1,762
Hong Kong and others	**16,285**	–	25,051
	154,692	7,004	198,777

In presenting the geographical information, revenue is based on the locations of the customers. No revenue has been recorded for property development, primary land development and coal mining business for both years.

	2020 ***HK$'000***	2019 *HK$'000*
Non-current assets:		
Indonesia	**108,817**	142,851
The PRC	**656,346**	618,923
Hong Kong and others	**638,940**	620,204
	1,404,103	1,381,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. SEGMENT INFORMATION *(Continued)*

Revenue from major customers:

	2020	2019
	HK$'000	*HK$'000*
Healthcare and household business segment		
Customer A	**87,766**	67,230
Customer B	**26,255**	47,438

Revenue from above customers individually contributed more than 10% of the total consolidated revenue of the Group.

10. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interests on other loans	**29,944**	–
Interests on bank loans	**1,552**	614
Interests on shareholders loans	**13,031**	4,902
Loss on early settlement of shareholders loans	**2,818**	20,874
Interests on other unsecured loans	**–**	2,015
Leases interests	**1,237**	996
	48,582	29,401
Less: interest capitalised in properties under development for sale	**(29,944)**	–
	18,638	29,401
Representing		
Continuing operations	**18,638**	28,812
Discontinued operations	**–**	589
	18,638	29,401

11. INCOME TAX CREDIT/(EXPENSE)

	2020	2019
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**(96)**	(2,975)
Current tax – Hong Kong Profits Tax		
– Over-provision in prior years	**905**	–
Deferred tax *(note 33)*	**–**	1,949
	809	(1,026)
Representing		
Continuing operations	**809**	(1,182)
Discontinued operations	**–**	156
	809	(1,026)

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong (2019: Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax credit/(expense) and the loss before tax multiplied by Hong Kong Profits Tax rate is as follows:

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**68,001**	70,892
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	**11,220**	11,697
Tax effect of non-taxable income	**9,137**	16,947
Tax effect of non-deductible expenses	**(14,867)**	(21,355)
Tax effect of temporary differences not recognised	**–**	156
Tax effect of utilisation of tax losses not previously recognised	**–**	2,436
Over-provision in prior year	**905**	–
Tax effect of tax losses not recognised	**(6,523)**	(4,137)
Effect of different tax rates of subsidiaries	**937**	(6,770)
Income tax credit/(expense) for the year	**809**	(1,026)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**930**	840
Cost of inventories sold#	**109,920**	123,347
Depreciation – property, plant and equipment	**4,691**	5,787
Depreciation – right of use assets	**10,187**	6,863
Amortisation – intangible asset	**–**	6,250
Net loss on fair value changes on investment at fair value through profit or loss	**–**	13,575
Impairment on exploration and evaluation assets	**34,030**	86,690
Net exchange losses/(gains)	**740**	(873)
Short term lease expenses	**2,522**	229
Research and development costs	**52**	149
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**75,872**	70,892
– Retirement benefits scheme contributions	**553**	459
	76,425	71,351

Cost of inventories sold includes staff costs and depreciation of approximately HK$32,482,000 in total (2019: approximately HK$30,758,000), which are included in the amounts disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

2020	*Notes*	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Leung Chung Shan		–	1,183	18	1,201
Mr. Tam Lup Wai, Franky		–	1,315	18	1,333
Mr. Liu Liyang		–	3,001	18	3,019
Mr. Gao Yuxiang	*b*	–	–	–	–
Mr. Qiu Qing	*c*	–	1,617	11	1,628
Mr. Zhang Youjun	*d*	–	129	–	129
Mr. Chan Tat Ming, Thomas	*a*	–	601	18	619
Non-executive Director					
Mr. Lim Kim Chai	*e*	–	–	–	–
Independent Non-executive Directors					
Mr. Hau Chi Kit		132	–	–	132
Mr. Leung Chi Hung		132	–	–	132
Mr. Li Hon Kuen		132	–	–	132
Total for the year ended 31 December 2020		**396**	**7,846**	**83**	**8,325**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

2019	*Notes*	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Leung Chung Shan		–	2,698	18	2,716
Mr. Tam Lup Wai, Franky		–	1,423	18	1,441
Mr. Au Yeung Yiu Chung	f	–	99	5	104
Mr. Liu Liyang		–	3,000	18	3,018
Mr. Chan Tat Ming, Thomas		–	650	18	668
Non-executive Director					
Mr. Lim Kim Chai	e	–	–	–	–
Independent Non-executive Directors					
Mr. Hau Chi Kit		132	–	–	132
Mr. Leung Chi Hung		132	–	–	132
Mr. Li Hon Kuen		132	–	–	132
Total for the year ended 31 December 2019		396	7,870	77	8,343

Notes:

a Resigned on 17 April 2020

b Appointed on 17 December 2020

c Appointed on 17 April 2020

d Appointed on 17 April 2020 and resigned on 17 December 2020

e Appointed on 20 December 2019

f Resigned on 30 April 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

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

The five highest paid individuals in the Group during the year included four (2019: four) directors, whose emoluments are reflected in the analysis above. The emoluments of the remaining one (2019: one) individual is set out below:

	2020	2019
	HK$'000	*HK$'000*
Basic salaries and allowances	**1,801**	617
Retirement benefits scheme contributions	**18**	13
	1,819	630

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument band:		
Nil – HK$1,000,000	**–**	1
HK$1,500,001 – HK$2,000,000	**1**	–
	1	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2020 and 2019.

15. LOSS PER SHARE

Basic loss per share

From continuing and discontinued operations

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$53,788,000 (2019: loss of approximately HK$70,485,000) and the weighted average number of ordinary shares of 10,721,667,000 (2019: 10,615,461,000) in issue during the year.

From continuing operations

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations attributable to owners of the Company of approximately HK$53,788,000 (2019: loss of approximately HK$56,327,000) and the denominator used is the same as that detailed above for basic loss per share.

From discontinued operations

The calculation of basic loss per share from discontinued operations attributable to owners of the Company for the year ended 31 December 2019 of HK cents 0.13 is based on the loss for the year from discontinued operations attributable to owners of the Company of approximately HK$14,158,000 and the denominator used is the same as that detailed above for basic loss per share.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. OTHER COMPREHENSIVE INCOME

Items of other comprehensive income for the year with their respective related tax effects as follows:

	2020			2019		
	Amount before tax	**Tax**	**Amount after tax**	Amount before tax	Tax	Amount after tax
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Release of exchange differences on disposal of subsidiaries	**–**	**–**	**–**	6,908	–	6,908
Exchange differences on translating foreign operations	**21,412**	**–**	**21,412**	9,710	–	9,710
Share of associates exchange differences on translating foreign operations	**29,092**	**–**	**29,092**	(30,225)	–	(30,225)
Gain on property revaluation	**4,111**	**(1,027)**	**3,084**	3,589	(897)	2,692
Other comprehensive income	**54,615**	**(1,027)**	**53,588**	(10,018)	(897)	(10,915)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. EXPLORATION AND EVALUATION ASSETS

	Exploration and exploitation rights	Others	Total
	(Note a)	*(Note b)*	
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	444,127	17,904	462,031
Accumulated impairment			
At 31 December 2018 and 1 January 2019	225,369	7,972	233,341
Impairment losses *(Note c)*	82,261	4,429	86,690
At 31 December 2019	307,630	12,401	320,031
Impairment losses *(Note c)*	32,711	1,319	34,030
At 31 December 2020	**340,341**	**13,720**	**354,061**
Carrying amount			
At 31 December 2020	**103,786**	**4,184**	**107,970**
At 31 December 2019	136,497	5,503	142,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. EXPLORATION AND EVALUATION ASSETS *(Continued)*

(a) This represents exploration and exploitation rights in respect of a coal mine in Central Kalimantan, Indonesia. Exploration and exploitation rights are granted for the period from 28 December 2009 to 23 December 2019 and can be extended for 2 times, for 10 years each. On 24 February 2020, the mining rights was extended for ten years to 22 December 2029. In respect of the persistance drop of coal price in the past years, the directors of the Company consider it is not the appropriate time to expand its coal business for the year ended 31 December 2020. Therefore, the Group's coal business remains inactive during the year.

(b) Others represent the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

(c) In assessing whether impairment is required for the exploration and evaluation assets, the carrying value is compared with the respective recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. The Group engaged an independent valuer, Graval Consulting Limited, to determine the fair value of the exploration and evaluation assets. The fair value of exploration and evaluation assets was determined using the market approach as consistent with last year's. The recoverable amount used in assessing the impairment loss is the fair value less costs of disposal. The fair value was determined by reference to the average coal price of actual market transactions multiplied by coal resources of the Group under level 2 fair value measurement.

Based on this evaluation, the recoverable amount of the exploration and evaluation assets was lower than its carrying amount at 31 December 2020. Accordingly, an impairment loss of approximately HK$34,030,000 (2019: HK$86,690,000) was recognised for the year ended 31 December 2020.

(d) No amortisation is provided as this exploration and exploitation rights are not available for use for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures, office equipment and motor vehicles	Moulds and tools	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or Valuation							
At 31 December 2018 and 1 January 2019	63,862	9,931	41,621	32,801	31,307	10,336	189,858
Additions	–	–	504	733	90	–	1,327
Acquisition of subsidiaries	–	–	–	257	–	–	257
Transfers	–	–	–	(1,600)	–	–	(1,600)
Revaluation	1,984	–	–	–	–	–	1,984
Disposals	–	–	(22)	(64)	(12)	(1,115)	(1,213)
Disposal of subsidiaries	(11,800)	(8,263)	(14,811)	(928)	–	(9,499)	(45,301)
Exchange differences	(893)	194	(366)	(356)	(403)	278	(1,546)
At 31 December 2019 and 1 January 2020	53,153	1,862	26,926	30,843	30,982	–	143,766
Additions	–	–	1,634	1,038	66	–	2,738
Acquisition of subsidiaries	–	–	–	604	–	–	604
Revaluation	2,400	–	–	–	–	–	2,400
Disposals	–	–	(1,006)	(1,052)	(40)	–	(2,098)
Exchange differences	3,507	–	2,136	1,268	1,228	–	8,139
At 31 December 2020	**59,060**	**1,862**	**29,690**	**32,701**	**32,236**	**–**	**155,549**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures, office equipment and motor vehicles	Moulds and tools	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment							
At 31 December 2018 and 1 January 2019	–	4,704	26,000	29,205	31,050	–	90,959
Transfers	–	–	–	(640)	–	–	(640)
Charge for the year	1,633	416	2,035	1,375	328	–	5,787
Write back on revaluation	(1,605)	–	–	–	–	–	(1,605)
Disposals	–	–	(22)	(61)	(11)	–	(94)
Disposal of subsidiaries	–	(3,311)	(9,188)	(48)	–	–	(12,547)
Exchange differences	(28)	53	(349)	(332)	(397)	–	(1,053)
At 31 December 2019 and 1 January 2020	–	1,862	18,476	29,499	30,970	–	80,807
Charge for the year	1,618	–	1,263	1,758	52	–	4,691
Write back on revaluation	(1,711)	–	–	–	–	–	(1,711)
Disposals	–	–	(229)	(883)	(14)	–	(1,126)
Exchange differences	93	–	1,610	1,103	1,228	–	4,034
At 31 December 2020	**–**	**1,862**	**21,120**	**31,477**	**32,236**	**–**	**86,695**
Carrying amounts							
At 31 December 2020	**59,060**	**–**	**8,570**	**1,224**	**–**	**–**	**68,854**
At 31 December 2019	53,153	–	8,450	1,344	12	–	62,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of the cost or valuation at 31 December 2020 of the above assets is as follows:

	Land and buildings *HK$'000*	**Leasehold improvements** *HK$'000*	**Plant and machinery** *HK$'000*	**Furniture, fixtures, office equipment and motor vehicles** *HK$'000*	**Moulds and tools** *HK$'000*	**Construction in progress** *HK$'000*	**Total** *HK$'000*
At cost 2020	**–**	**1,862**	**29,690**	**32,701**	**32,236**	**–**	**96,489**
At valuation 2020	**59,060**	**–**	**–**	**–**	**–**	**–**	**59,060**
	59,060	**1,862**	**29,690**	**32,701**	**32,236**	**–**	**155,549**

The analysis of the cost or valuation at 31 December 2019 of the above assets is as follows:

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At cost 2019	–	1,862	26,926	30,843	30,982	–	90,613
At valuation 2019	53,153	–	–	–	–	–	53,153
	53,153	1,862	26,926	30,843	30,982	–	143,766

(a) As at 31 December 2020, the Group's land and buildings were revalued by Graval Consulting Limited, an independent firm of professional valuer, on the open market value basis with reference to market evidence of recent transactions for similar properties.

The carrying amount of the Group's land and buildings would be approximately HK$9,548,000 (2019: approximately HK$9,803,000) had they been stated at cost less accumulated depreciation and impairment losses.

(b) As at 31 December 2020, certain land and buildings, amounted approximately HK$59,060,000 (2019: approximately HK$51,168,000) of the Group were pledged to secure banking facilities granted to the Group (Note 39).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2020	2019
	HK$'000	*HK$'000*
At 31 December:		
Right-of-use assets		
– Land and buildings	**25,911**	5,489
–Motor vehicles	**705**	1,202
	26,616	6,691

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

	2020	2019
– Less than 1 year	**12,639**	6,494
– Between 1 and 2 years	**12,250**	540
– Between 2 and 5 years	**6,747**	218
	31,636	7,252
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land and buildings	**9,689**	6,395
– Motor vehicles	**498**	468
	10,187	6,863
Lease interests	**1,237**	996
Expenses related to short-term leases	**2,522**	1,015
Total cash outflow for leases	**11,125**	7,672
Additions to right-of-use assets	**30,324**	710

The Group leases land and buildings and motor vehicles. Lease agreements are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20. INTERESTS IN ASSOCIATES

	2020	2019
	HK$'000	*HK$'000*
Unlisted investment		
Share of net assets	**1,104,482**	1,080,100
Goodwill	**96,181**	90,228
	1,200,663	1,170,328

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20. INTERESTS IN ASSOCIATES *(Continued)*

Name	Chengde CITIC Securities Jinyu Investment Development Co., Ltd		Pacific Memory SDN BHD	
Principal place of business/country of incorporation	PRC		Malaysia	
Principal activity	Primary land development		Properties development in Malaysia	
% ownership interest	42.5%		35%	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 31 December				
Non-current assets	**3,676,593**	3,434,191	**–**	–
Current assets	**607,269**	485,443	**2,441,036**	2,383,094
Non-current liabilities	**(357,588)**	(335,456)	**(570,903)**	(557,432)
Current liabilities	**(2,727,641)**	(2,391,138)	**(78,202)**	(72,663)
Net assets (net of non-controlling interests)	**1,123,073**	1,097,765	**1,791,931**	1,752,999
Group's share of net assets	**477,306**	466,550	**627,176**	613,550
Year ended 31 December				
Revenue	**199,134**	–	**–**	–
Profit/(loss) for the year	**6,270**	(69,854)	**(3,299)**	(3,374)
Other comprehensive income/(loss)	**34,907**	(63,911)	**42,231**	(7,696)
Total comprehensive income/(loss)	**41,177**	(133,765)	**38,932**	(11,070)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at fair value	**–**	870

22. LOANS AND INTERESTS RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Loans receivables	**72,791**	43,992
Impairment allowance	**(3,166)**	(3,000)
	69,625	40,992
Interests receivables	**20,049**	3,325
	89,674	44,317

The aging analysis of loans receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 6 months	**–**	31,492
7 to 12 months	**29,800**	9,500
Over 12 months	**39,825**	–
	69,625	40,992

Loan receivables as at 31 December 2020 represented unsecured loans granted to independent third parties with principal amount of HK$72,791,000 (2019: HK$43,992,000) in total. The directors of the Company monitored the collectability of the loans receivables closely with reference to their respective current creditworthiness and repayment records. As at 31 December 2020, the management believes that these loan receivables are considered fully recoverable except for receivable amounts of HK$3,166,000 are considered as high risk of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. LOANS AND INTERESTS RECEIVABLES *(Continued)*

The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 6 to 12 months (2019: 6 to 12 months). The loans provided to borrowers bore interest rate ranging from 7% – 24% per annum (2019: 7% – 24% per annum), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers (where necessary). The loans provided to borrowers are repayable in accordance with the loan agreements, in which the principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

The movements in allowance for impairment of loans and interests receivables were as follows:

	2020	2019
	HK$'000	*HK$'000*
Impairment allowance at 1 January	**3,000**	3,000
Impairment during the year	**166**	–
Impairment allowance at 31 December	**3,166**	3,000

23. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**7,814**	12,574
Work in progress	**2,159**	5,920
Finished goods	**9,100**	11,821
	19,073	30,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

24. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2020
	HK$'000
Cost	
At 1 January	–
Acquisition of subsidiaries *(Note 36)*	1,221,612
Additions	252,870
Effect of foreign exchange difference	84,880
At 31 December	1,559,362
Properties under development for sales of which:	
– Expected to be recovered within 1 year	226,593
– Expected to be recovered over 1 year	1,332,769
	1,559,362

As at 31 December 2020, the Group's properties under development for sales of HK$332,727,000 (2019: HK$ nil) were pledged to secure bank borrowings granted to the Group and were restricted in rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25. TRADE AND OTHER RECEIVABLES

	Note	2020 HK$'000	2019 HK$'000
Trade receivables and bills receivables	a	**38,889**	39,706
Prepayment and deposits		**14,968**	6,266
Consideration receivable		**86,400**	86,400
Other receivables		**117,154**	17,773
		257,411	150,145

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000	As at 1 January 2019 HK$'000
a. Contract receivables (included in trade receivables)	**38,889**	39,706	76,889

Trade receivables and bills receivables

The Group allows an average credit period of 30 to 180 days to its trade customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	2020 HK$'000	2019 HK$'000
0 to 30 days	**9,046**	14,162
31 to 90 days	**15,042**	17,353
91 to 180 days	**14,685**	8,191
Over 180 days	**116**	–
	38,889	39,706

As at 31 December 2020, trade receivables and bills receivables of approximately HK$677,000 (2019: approximately HK$599,000) are assigned to a bank for a factoring loan facility as set out in notes 29 and 39 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. AMOUNT DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and have no fixed repayment terms.

27. BANK AND CASH BALANCES

As at 31 December 2020, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$169,810,000 (2019: approximately HK$5,820,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

28. TRADE AND OTHER PAYABLES

	Note	**2020** ***HK$'000***	2019 *HK$'000*
Trade payables and bills payables	a	**21,519**	22,720
Accruals and other payables		**114,469**	63,368
Amounts due to directors		**13,267**	1,756
Amounts due to shareholders		**–**	4,539
Contract liabilities	b	**364,755**	–
		514,010	92,383

a. Trade payables and bills payables

The aging analysis of the trade payables and bills payables, based on the date of receipt of goods, is as follows:

	2020 ***HK$'000***	2019 *HK$'000*
0 to 30 days	**5,455**	5,827
31 to 90 days	**7,446**	10,477
91 to 180 days	**7,454**	5,468
Over 180 days	**1,164**	948
	21,519	22,720

Amounts due to directors and shareholders are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. TRADE AND OTHER PAYABLES *(Continued)*

b. Contract liabilities

	As at 31 December 2020	As at 31 December 2019	As at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities – Property and development	**364,755**	–	–

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2020	2019
	HK$'000	*HK$'000*
– 2021	**510,472**	–
– 2022	**25,858**	–
	536,330	–

Significant changes in contract liabilities during the year:

	2020	2019
	HK$'000	*HK$'000*
Increase due to operations in the year	**364,755**	–
Transfer of contract liabilities to revenue	**–**	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

29. BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Unsecured loans from financial institutions	–	380
Secured bank loans	**309,157**	7,733
Unsecured other loans	**691,097**	4,682
Secured factoring loan	–	1
	1,000,254	12,796
Analysed for reporting purposes as:		
– Non-current liabilities	**309,157**	12,177
– Current liabilities	**691,097**	619
	1,000,254	12,796

The unsecured loans represent loans which stated at a range from 4.75% to 12% per annum interest rate (2019: 4.75%).

The secured bank loans represent loans which are secured by the corporate guarantee provided by third parties, personal guarantee of the related parties of the subsidiary of the Company and certain land use rights. The loans are arranged at floating rate ranging from 5.66% to 6.09% and fixed interest rate ranging from 8.00% to 9.57% per annum.

30. PROMISSORY NOTE

Upon the completion date of the acquisition of Shenzhen Qianhai CITIC Huateng Industrial Co., Ltd, Dongguan Hexin Real Estate Development Co., Ltd and Nanjing Yuanding Real Estate Co., Ltd on 19 March 2020, the Company issued a six months interest free Promissory Note ("PN") with a principal amount of approximately HK$219,032,000 (RMB200,000,000) as a part of the settlement of the consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. SHAREHOLDERS LOANS

	2020	2019
	HK$'000	*HK$'000*
Shareholders loans	**381,879**	307,525
Analysed for reporting purposes as:		
– Non-current liabilities	**38,503**	77,525
– Current liabilities	**343,376**	230,000
	381,879	307,525

On 10 January 2019, the Group entered into a loan agreement of HK$300 million with a shareholder. The loan is unsecured, interest bearing at 2.2% per annum and repayable within 2 years. The difference between the loan principal and its fair value at initial recognition was directly dealt with in equity as contribution from equity participant. The effective interest rate of this shareholder loan is 10.47%. As at 31 December 2020, approximately HK$259 million of the loan was repaid.

On 5 August 2019, the Group entered into a loan agreement of HK$20 million with another shareholder. The loan is unsecured, interest bearing at 2.2% per annum and repayable within 2 years. The difference between the loan principal and its fair value at initial recognition was directly dealt with in equity as contribution from equity participant. The effective interest rate of this shareholder loan is 10.47%.

On 11 November 2019, the Group entered into another loan agreement of HK$230 million with this shareholder. The loan is unsecured, interest bearing at 5% per annum and repayable within 60 days. The loan has been further extended on two occasions and latest repayment date is 9 May 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**12,639**	6,494	**10,763**	6,226
In the second to fifth years, inclusive	**18,997**	758	**16,452**	738
	31,636	7,252		
Less: Future finance charges	**(4,421)**	(288)		
Present value of lease liabilities	**27,215**	6,964	**27,215**	6,964
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(10,763)**	(6,226)
Amount due for settlement after 12 months			**16,452**	738

At 31 December 2020, the effective borrowing rates were 1.80% to 12.00% (2019: 1.80% to 10.47%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Group.

	Intangible asset	Revaluation of acquisition of subsidiaries	Revaluation of land and buildings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	1,858	–	11,099	12,957
Debit to equity for the year	–	–	897	897
Credit to consolidated profit or loss *(Note 11)*	(156)	–	–	(156)
Disposal of subsidiaries	(1,702)	–	(247)	(1,949)
Exchange differences	–	–	(230)	(230)
At 31 December 2019 and 1 January 2020	–	–	11,519	11,519
Debit to equity for the year	–	–	1,027	1,027
Credit to consolidated profit or loss *(Note 11)*	–	–	–	–
Acquisition of subsidiaries	–	59,315	–	59,315
Exchange differences	–	5,045	760	5,805
At 31 December 2020	**–**	**64,360**	**13,306**	**77,666**

At the end of the reporting period, the Group has unused tax losses of approximately HK$8,976,000 (2019: HK$2,384,000) available for offset against future profits and such losses may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

34. RETIREMENT BENEFIT OBLIGATIONS

Employee retirement benefits

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% – 10% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans ("Plans") organised by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

35. SHARE CAPITAL

	Notes	**Number of shares**	**Amount** *HK$'000*
Authorised:			
Ordinary shares of HK$0.00004 each at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020		25,000,000,000,000	1,000,000
Issued and fully paid:			
Ordinary shares of HK$0.00004 each at 31 December 2018 and 1 January 2019		8,783,417,951	351
Issue of consideration shares	(a)	1,938,248,881	78
Ordinary shares of HK$0.00004 each at 31 December 2019, 1 January 2020 and 31 December 2020		10,721,666,832	429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

35. SHARE CAPITAL *(Continued)*

(a) On 21 January 2019, 1,938,248,881 ordinary shares of the Company of HK$0.00004 each were issued at HK$0.114 per share as part of the consideration for acquisition of 100% of the issued shares of Hong Kong Zhongzheng City Investment Limited. The premium on the issue of shares of approximately HK$220,882,000 was credited to the Company's share premium accounts.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts in order to maintain sufficiency of working capital.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, accumulated losses and other reserves).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. ACQUISITION OF SUBSIDIARIES

On 19 March 2020, the Group acquired 100% of the issued share capital of Shenzhen Qianhai CITIC Huateng Industrial Co., Ltd and Dongguan Hexin Real Estate Development Co., Ltd; and 51% of the issued share capital of Nanjing Yuanding Real Estate Co., Ltd (the "Target Companies") at a total consideration of approximately HK$219,032,000 (RMB200,000,000) which is satisfied by the issuance of an interest-free promissory note with a term of six months and shall be subsequently settled by cash when it falls due. The Target Companies were engaged in property development in the PRC during the year.

The fair value of the identifiable assets and liabilities of Target Companies acquired as at its date of acquisition is as follows:

Net assets acquired:	*HK$'000*
Property, plant and equipment	604
Properties under development for sale	1,221,612
Trade and other payables	(114,792)
Deferred tax liabilities	(59,315)
Cash and bank balances	27,843
Trade and other receivables	140,191
Current tax liabilities	(53)
Borrowings	(903,974)
	312,116
Non-controlling interest	(50,319)
Gain on bargain purchase	(42,765)
	219,032
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	27,843

The Group recognised a gain on bargain purchase of approximately HK$42,765,000 in the business combination. The business combination results in a gain on bargain purchase because of the appreciation of the property development projects as at the date of acquisition. The Target Companies contributed approximately HK$28,949,000 loss to the Group's results for the year between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2020, total Group revenue from continuing operations for the year would have been HK$154,692,000, and loss for the year would have been HK$76,451,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. RESERVES

(a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium	Contributed surplus	Warrant reserve	Other reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	657,318	635,891	24,226	–	(188,476)	1,128,959
Issue of consideration shares *(Note 35(a))*	220,882	–	–	–	–	220,882
Discounting of shareholder's loan	–	–	–	33,251	–	33,251
Loss for the year	–	–	–	–	(201,599)	(201,599)
At 31 December 2019	878,200	635,891	24,226	33,251	(390,075)	1,181,493
At 1 January 2020	878,200	635,891	24,226	33,251	(390,075)	1,181,493
Loss for the year	–	–	–	–	(16,964)	(16,964)
At 31 December 2020	878,200	635,891	24,226	33,251	(407,039)	1,164,529

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. RESERVES *(Continued)*

c) Nature and purpose of reserves *(Continued)*

(ii) Contributed surplus

The contributed surplus of the Company arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 1997 and represented the excess of the then consolidated net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

The contributed surplus arose in the years represented the net effect of the capital reduction of the Group.

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Warrant reserve

The warrant reserve represents the proceeds received from the issue of 370,000,000 warrants at a placing price of HK$0.07 per warrant on 27 November 2003, net of warrant issue expenses. The trading of the warrants on the Stock Exchange had ceased after 2 December 2004 and the listing of the warrants on the Stock Exchange was withdrawn from 4 December 2004. The subscription rights attaching to the 365,880,000 outstanding warrants had expired on 7 December 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. RESERVES *(Continued)*

c) Nature and purpose of reserves *(Continued)*

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(v) Property revaluation reserve

Property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 3 to the consolidated financial statements.

(vi) Other reserve

The other reserve comprises all the effect of discounting of shareholders' loan which are not due or payable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 *HK$'000*	2019 *HK$'000*
Non-current assets		
Investments in subsidiaries	**1**	1
Current assets		
Amounts due from subsidiaries	**1,405,326**	1,380,220
Investment at fair value through profit or loss	**–**	870
Other current assets	**151,746**	36,119
Bank and cash balances	**105**	139,502
	1,557,177	1,556,711
Current liabilities		
Amounts due to subsidiaries	**(85,435)**	(61,855)
Borrowings	**(2,380)**	(380)
Shareholders loans	**(248,970)**	(230,000)
Other current liabilities	**(16,932)**	(5,030)
	(353,717)	(297,265)
Net current assets	**1,203,460**	1,259,446
Total assets less current liabilities	**1,203,461**	1,259,447
Non-current liabilities		
Shareholders loans	**(38,503)**	(77,525)
	(38,503)	(77,525)
NET ASSETS	**1,164,958**	1,181,922
Capital and reserves		
Share capital	**429**	429
Reserves	**1,164,529**	1,181,493
TOTAL EQUITY	**1,164,958**	1,181,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

39. BANKING FACILITIES

At 31 December 2020, the Group had banking facilities amounted to approximately HK$42,649,000 (2019: approximately HK$40,443,000), which were secured by the followings:

(a) certain land and buildings, amounted approximately HK$59,060,000 (2019: approximately HK$51,168,000) of the Group were pledged to secure banking facilities granted to the Group (note 18); and

(b) trade and bills receivables of the Group amounted to approximately HK$677,000 (2019: approximately HK$599,000) under factoring arrangement (notes 25); and

(c) guarantee for an unlimited amount duly executed by the Company.

At 31 December 2020, the Group had available approximately HK$42,649,000 (2019: approximately HK$40,442,000) undrawn borrowing facilities.

40. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Addition to property, plant and equipment during the year of HK$nil (2019: HK$710,000) was financed by finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

40. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Promissory note	Shareholders loans	Borrowings	Lease liabilities	Total liabilities from financing activities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	–	–	16,670	1,046	17,716
Changes in cash flows	–	315,000	6,200	(7,671)	313,529
Non-cash changes					
– interest charged	–	25,776	2,629	996	29,401
– disposal of subsidiaries	–	–	(12,703)	–	(12,703)
– additions to right-of-use assets	–	–	–	710	710
– discounting effect	–	(33,251)	–	–	(33,251)
– initial recognition upon adoption of HKFRS 16	–	–	–	11,883	11,883
At 31 December 2019 and 1 January 2020	–	307,525	12,796	6,964	327,285
Changes in cash flows	–	76,027	39,645	(11,125)	104,547
Non-cash changes					
– interest charged	–	15,849	31,496	1,237	48,582
– additions to right-of-use assets	–	–	–	30,324	30,324
– acquisition of subsidiaries	219,032	–	903,974	–	1,123,006
– exchange difference	18,631	(17,522)	12,343	(185)	13,267
At 31 December 2020	**237,663**	**381,879**	**1,000,254**	**27,215**	**1,647,011**

41. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had no other transactions and balances with its related parties during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the financial position of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

Name	Place of incorporation/ registration	Issued/paid-up registered capital	Percentage of the ownership interest/ voting power		Principal activities
			Direct	Indirect	
Dongguan Weihang Electrical Product Company Limited	The PRC	Registered capital US$9,000,000	–	100%	Manufacturing and trading of healthcare and household products
eForce Management Limited	Hong Kong	Ordinary shares of HK$2	100%	–	Provision of management services
Fairform Group Limited	BVI	15,700,200 shares of US$1 each	100%	–	Investment holding
Fairform Manufacturing Company Limited	Hong Kong	Ordinary shares of HK$138,750,000 and non-voting deferred shares of HK$250,000	–	100%	Manufacturing and trading of healthcare and household products
Fastport Investments Holdings Limited	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding
Gainford Internationals Inc.	BVI	50 shares of US$1 each	–	100%	Investment holding
Oasis Global Limited	BVI	10 shares of US$1 each	–	100%	Trademark holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration	Issued/paid-up registered capital	Percentage of the ownership interest/ voting power		Principal activities
			Direct	Indirect	
PT Bara Utama Persada Raya	Republic of Indonesia	4,999 shares of IDR100,000 each	–	99.98%	Own a coal mining concession
PT Karya Dasar Bumi	Republic of Indonesia	1,000 shares of IDR1,000,000 each	–	100%	Investment holding
Smart Guard Limited	BVI	1 share of US$1	–	100%	Investment holding
Yixin Holdings Limited	Hong Kong	Ordinary share of HK$1	100%	–	Money lending
香港中證城市投資有限公司	BVI	10,000 shares of HK$$1 each	–	100%	Investment holding
Hong Kong Zhongzheng Tech Investment Limited	Hong Kong	Ordinary share of HK$10,000	–	100%	Investment holding
Hong Kong Zhongzheng Industrial Development Limited	Hong Kong	Ordinary share of HK$1,000	–	100%	Investment holding
深圳市中證瑞豐管理有限公司	The PRC	Registered capital RMB3,880,000	–	100%	Investment holding
承德中 證丰达建设開發有限公司	The PRC	Registered capital RMB50,000,000	–	100%	Investment holding
廣東中證城市發展管理有限公司	The PRC	Registered capital RMB2,550,000	–	51%	Land development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration	Issued/paid-up registered capital	Percentage of the ownership interest/ voting power Direct	Indirect	Principal activities
深圳市中證鵬豐管理有限公司	The PRC	Registered capital RMB10,000,000	–	100%	Land development
深圳市中證致遠股權投資基金管理有限公司	The PRC	Registered capital RMB10,000,000 RMB2,550,000	–	100%	Fund management
東莞禾信房地產開發有限公司	The PRC	Registered capital RMB10,100,000	–	100%	Property development
南京源鼎置業有限公司	The PRC	Registered capital RMB40,000,000	–	51%	Property development

\# The English name is for identification purpose only

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2021.

FIVE YEAR FINANCIAL SUMMARY

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

	For the year ended 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	265,020	199,218	299,117	205,781	**154,692**
Operating (loss)/profit after finance costs	(45,140)	(44,190)	58,367	(43,767)	**(69,244)**
Share of results of a joint venture	(201)	–	–	–	**–**
Share of results of associates	–	–	(1,090)	(27,125)	**1,243**
(Loss)/profit before tax	(45,341)	(44,190)	57,277	(70,892)	**(68,001)**
Income tax (expense)/credit	6,242	(185)	(2,338)	(1,026)	**809**
(Loss)/profit for the year	(39,099)	(44,375)	54,939	(71,918)	**(67,192)**
Attributable to:					
Owners of the Company	(39,237)	(43,664)	55,386	(70,485)	**(53,788)**
Non-controlling interests	138	(711)	(447)	(1,433)	**(13,404)**
	(39,099)	(44,375)	54,939	(71,918)	**(67,192)**

	As at 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	731,952	1,022,605	1,383,403	1,825,163	**3,669,597**
Total liabilities	(147,182)	(149,517)	(165,852)	(436,985)	**(2,244,074)**
Net assets	584,770	873,088	1,217,551	1,388,178	**1,424,893**
Equity attributable to:					
Owners of the Company	581,788	869,843	1,214,716	1,387,731	**1,383,993**
Non-controlling interests	2,992	3,245	2,835	447	**40,900**
	584,770	873,088	1,217,551	1,388,178	**1,424,893**

SUMMARY OF PROPERTIES UNDER DEVELOPMENT FOR SALE

At 31 December 2020

	Location	Intended use	Expected completion date	Equity interest	Gross floor area (sq. m.)
1.	Naishan, Donggou Town, Liuhe District, Nanjing City Jiang su Province, the People's Republic of China	Residential, commercial and hotel development	2021/2023	51%	292,000
2.	Northern side of Guantai Avenue, Zhouxi Community, Nancheng Jiedao, Dongguan City Guangdong Province, the People's Republic of China	Residential and commercial	2022	100%	28,307