



# S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)  
(Stock Code: 1184)

## Annual Report 2021

# SAS









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Established since 1981 and listed on the Hong Kong Stock Exchange in 1994, **S.A.S. GROUP** is a leading ELECTRONIC SUPPLY CHAIN SERVICES PROVIDER in the Greater China region. The Group specialises in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductor products including chipset solutions, display panels, memory chips, power supply system solutions, multimedia system solutions, PEMCO, IoT home automation solutions, light-emitting diode (“LED”) lighting solutions and other premier solutions for a wide range of applications for mobile, consumer electronic, computer and networking, telecommunication and LED lighting and display products. S.A.S. Group serves more than 100 famous semiconductor suppliers and over 10,000 customers such as electronics manufacturing services (“EMS”) providers, original equipment manufacturers, original design manufacturers, valued-added resellers, retailers and end customers and has more than 20 sales offices in the Greater China region. According to Gartner’s data, in terms of revenue, the Group is ranked as top 9 global semiconductor distributor and the top China cum Hong Kong based semiconductor distributor in 2021.

The Group is also a distributor of innovative environmental-friendly lifestyle enhancement finished products under SHARP **SHARP** and our owned brands of Light in Motion , LIM InfraSystems  and Square  and Life In Motion  in the Asia Pacific region.



## DIRECTORS

### Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP*  
(*Chairman and Managing Director*)  
Mr. Wong Sui Chuen  
Mr. Yim Tsz Kit, Jacky  
Mr. Wong Wai Tai  
Mr. Tsui Chi Wing, Eric

### Non-Executive Director

Ms. Yim Kei Man, Carmen  
(*appointed on 25 March 2022*)

### Independent Non-Executive Directors

Mr. Wong Tak Yuen, Adrian  
Mr. Liu Chun Ning, Wilfred  
Mr. Cheung Chi Kwan  
Mr. Wong Wai Kin

## AUDIT COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)  
Mr. Cheung Chi Kwan  
Mr. Wong Wai Kin

## REMUNERATION COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)  
Mr. Wong Sui Chuen  
Mr. Wong Wai Kin

## NOMINATION COMMITTEE

Mr. Wong Tak Yuen, Adrian (*Chairman*)  
Mr. Wong Sui Chuen  
Mr. Cheung Chi Kwan

## COMPANY SECRETARY

Mr. Wong Wai Tai

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL OFFICE

19th Floor, S.A.S. Tower  
55 Lei Muk Road  
Kwai Chung, N.T.  
Hong Kong

## SHARE REGISTRARS AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
Mizuho Bank Limited  
Standard Chartered Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

## AUDITOR

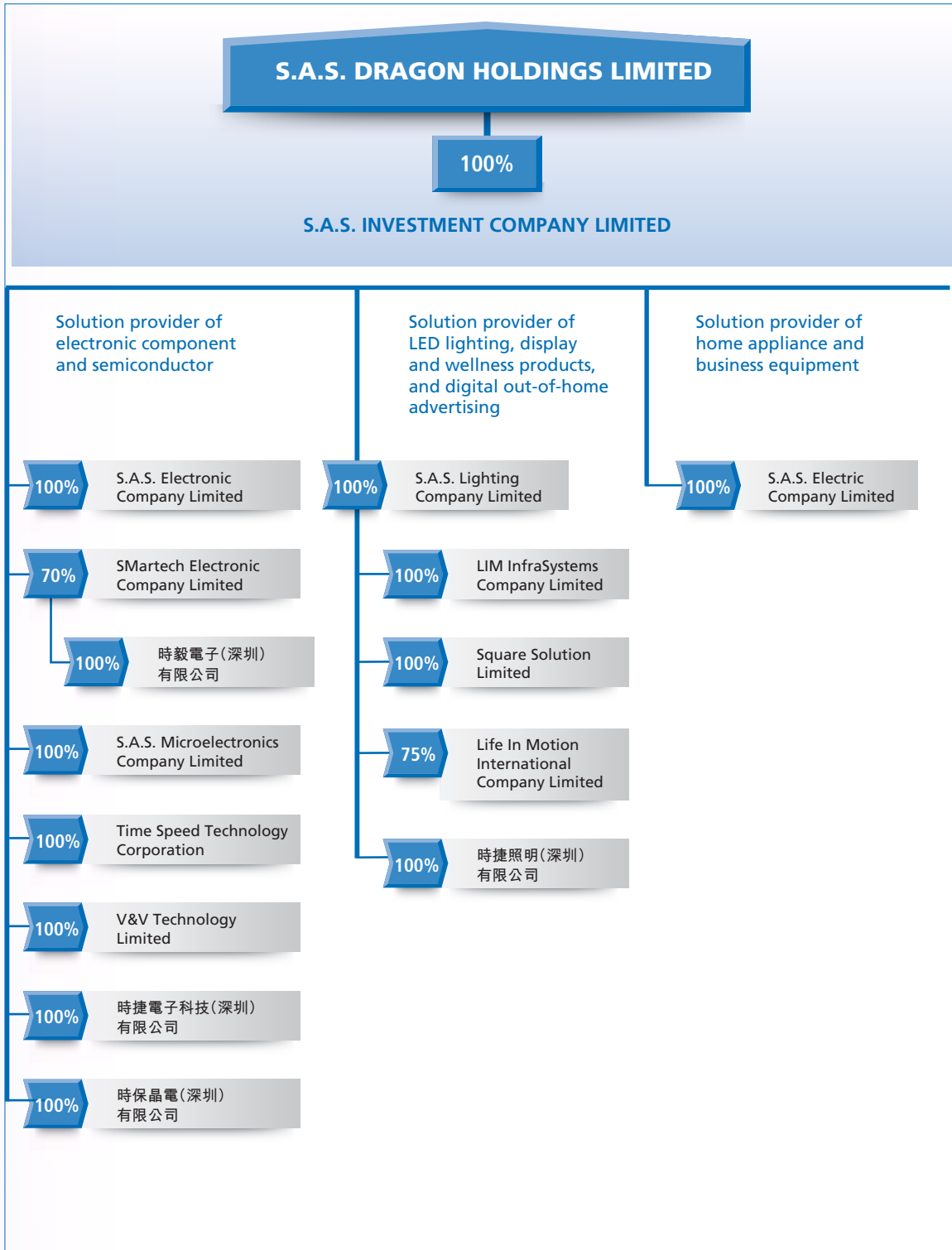
Deloitte Touche Tohmatsu  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
35/F., One Pacific Place  
88 Queensway  
Hong Kong

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 1184

## WEBSITE

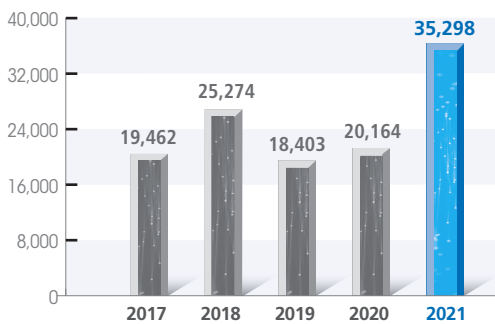
<http://www.sasdragon.com.hk>



|   | 2021          | 2020   | Change |
|---|---------------|--------|--------|
| Revenue (HK\$ million)                                      | <b>35,298</b> | 20,164 | +75%   |
| Profit attributable to owners of the Company (HK\$ million) | <b>713</b>    | 262    | +172%  |
| Basic earnings per share (HK cents)                         | <b>113.96</b> | 41.85  | +172%  |
| Dividend per share (HK cents)                               |               |        |        |
| – Final proposed  | <b>30.00</b>  | 16.50  |        |
| – Interim paid  | <b>15.00</b>  | 4.50   |        |
| – Total   | <b>45.00</b>  | 21.00  | +114%  |

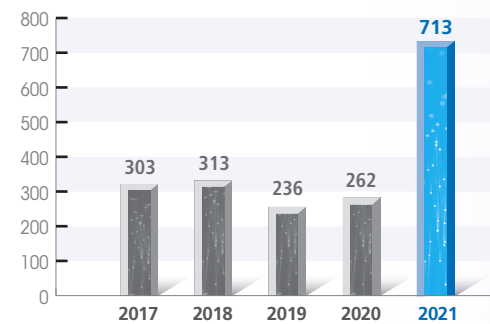
### Revenue

(HK\$'million)



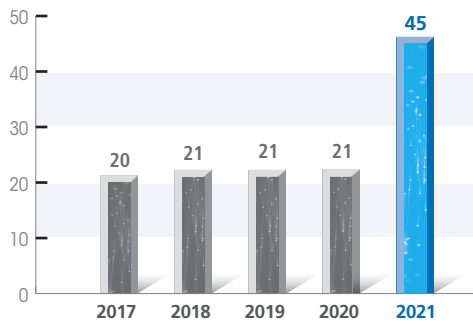
### Profit attributable to owners of the Company

(HK\$' million)



### Dividend per share

(HK cents)



### Net asset value per share

(HK\$)



On behalf of the Board, I am pleased to present the consolidated results of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

## FINANCIAL REVIEW

For the year ended 31 December 2021, the Group's revenue, gross profit and profit attributable to the shareholders of the Company all reached record high over previous years. The Group recorded revenue of HK\$35,297,778,000, increased by 75.1% from HK\$20,164,341,000 recorded last year. The Group's gross profit was HK\$1,587,248,000 increased by 82.1% from HK\$871,864,000 recorded last year and gross profit margin was 4.5%, compared with 4.3% recorded last year. Profit attributable to the shareholders of the Company for the year ended 31 December 2021 was HK\$713,191,000 increased by 172.3% compared with HK\$261,897,000 recorded last year. Basic earnings per share was HK113.96 cents (2020: HK41.85 cents).

## DIVIDENDS

The Board has recommended a final dividend of HK30 cents per share for the year ended 31 December 2021 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK15 cents per share already paid, total dividend for the year will amount to HK45 cents (2020: HK21 cents per share).

## BUSINESS REVIEW

### Distribution of Electronic Components and Semiconductor

The COVID-19 pandemic accelerated digital transformation over the past two years. During the year under review, global demand for semiconductors is robust across a wide range of customer segments including wireless communications, consumer, computer, industrial and automotive.

The Group's component team recorded sales revenue of HK\$35.14 billion in 2021, increased 76% from HK\$19.95 billion recorded last year. During the year under review, amid the ongoing supply chain disruption situation, we keep focusing on our strategy to provide comprehensive portfolio of design and supply chain services to our target customers in the Greater China region by broadening our world's leading semiconductor supplier base as well as expanding our geographical sales network.

According to Gartner's data, in terms of revenue, the Group is ranked as top 9 global semiconductor distributor and the top China cum Hong Kong based semiconductor distributor in 2021.





## **Mobile phone**

According to Gartner, worldwide smartphone shipped a total of 1.43 billion units in 2021, grew 6% when compared with 2020. Almost half of smartphones were shipped with 5G connectivity. During the year under review, certain top China branded mobile customers of the Group continued to recorded shipment and market share growth by delivering higher average selling price 5G flagship models with better specifications and advanced features such as full screen display, high-end multiple cameras with up to 100-mega pixel large image sensors, 3D sensing face detection and fingerprint-on-display solutions. As a results, the Group recorded satisfactory revenue in mobile phone segment by delivering broader range of competitive products such as larger storage DRAM and NAND flash memory chips, full screen high resolution display panels, large megapixel camera CMOS sensors, auto focus actuators, mobile payment security ICs, fingerprint, force touch, multi-function motion sensors, high-speed and wireless charging solutions to those branded handset manufacturers, design houses and camera module factories in the Greater China region.

## **Consumer electronic**

During the year under review, PC and gaming equipment, 5G-related equipment and data centers continued to perform well due to increased demand from work-learn-play from home. Robust demand for true wireless stereo earbuds, cloud/edge computing, large datacenters, 5G base stations and servers, together with the fast growing demand for virtual reality headsets for immersive and virtual gaming, socialising and fitness experiences, led the Group recorded satisfactory revenue growth in consumer electronics segment by delivering competitive system on chips, displays with high resolution and dynamic refresh rate, radio frequency modules, Bluetooth low energy solutions, larger storage memory chips, distance measurement and proximity sensors, optical couplers, frequency conversion ICs to our branded manufacturers.

## **LED Technology Solution Provider**

Our LED lighting team specializing in providing customized order fulfilments including sales and contract work of LED lighting and display products under our owned brand of Light in Motion  and LIM InfraSystems , digital out-of-home advertising solutions (including LED display rental solutions) under our own brand of Square  and the sales of LED UV-C wellness products under our own brand of Life in Motion  for global market.



Please scan the QR code for more information.



During the year under review, the COVID-19 variants extended lockdown of many countries and deterred capital investment from the global tourist industry which negatively impacted our business. However our LED lighting team benefitted from the gradual business recovery in domestic and greater bay area markets and completed several medium to mega size LED lighting and display projects with Macau Jockey Club, Hong Kong Disneyland, Hong Kong MTR, Hong Kong M+ museum, other government departments and local property developers up to the reporting date.

## **Distribution of Home Appliances and Business Equipment and Provision of Related Ancillary Services**

During the year under review, social distance measures remained strict in Hong Kong that further weakening consumer spending power. We focus on SHARP B2B business by offering competitive business solutions to enterprises and maintain our promotion and operation to low level. We will review our strategy when sign of the COVID-19 is being controlled and consumer spending returned.

## **Properties Investment**

As of 31 December 2021, the Group carried the 18 units of investment properties (31 December 2020: 17 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK\$810 million (31 December 2020: HK\$833 million).

The above investment properties altogether generated rental income of HK\$24.2 million (2020: HK\$17.7 million) with an annualized return of 3.0% (2020: 2.1%).

## **OUTLOOK**

In late 2021, COVID-19 resurged across the world due to Omicron variant and continue to spread in early 2022. Manufacturers for end products will continue to be affected by the component mismatch problem that the COVID-19 pandemic has brought to the supply chain. However, long-term demands for complex electronic components supporting 5G, data centers, car safety, navigation and infotainment systems becoming an important growth market to us.

We believe we are in a much better position than before against challenges and have confidence that the Group will maintain competitive in the Greater China region by virtue of our economies of scales, solid long-term customer relations supported by our strong financial strength, localized sales and engineers, competent inventory management and other value added services. By leveraging on Hon Hai Group and SHARP Corporation's leading position in electronic component to consumer electronic regimes and our over 40 years of experience, industry expertise and market recognition, we are confident to pursue a healthy and sustainable business growth and generate more returns to our shareholders.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

The Group has always been proactively implementing the concept of sustainable development, taking environmental, social and governance issues as one of the basic consideration of business operation.

In 2021, the Group donated HK\$1,507,000 to charitable and other non-profit organisations in Hong Kong and China. Also, in 2022, the Group donated HK\$1,000,000 to Yan Chai Social Services Fund and our volunteer team delivered 36,000 sets of rapid antigen test kits and our LED UV-C wellness products to hospital, government disciplined service units and communities to support their anti-epidemic activities.

Last but not least, to enhance our Board Diversity Policy, Ms. Carmen Yim joins the Company as the non-executive Director on 25 March 2022.



## APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

Finally, I wish you all stay healthy.

**Dr. Yim Yuk Lun, Stanley** *BBS JP*  
*Chairman*

Hong Kong, 25 March 2022

## LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2021, the Group's current ratio was 126% (31 December 2020: 117%). The Group's net gearing ratio was 21% (31 December 2020: 38%), defined as the Group's net borrowings (calculated as total bank and other borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss) of approximately HK\$596,662,000 (31 December 2020: HK\$802,125,000) over total equity of HK\$2,843,287,000 (31 December 2020: HK\$2,124,224,000).

The Group recorded debtors turnover of approximately 31 days for the year under review (2020: 47 days) based on the amount of trade receivable as at 31 December 2021 divided by sales for the same year and multiplied by 365 days (2020: 366 days).

The Group recorded inventory turnover and average payable year of approximately 29 days and 35 days respectively for the year under review (2020: approximately 34 days and 54 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2021, divided by cost of sales for the same year and multiplied by 365 days (2020: 366 days).

In 2021, the Group recorded net operating cash inflow of HK\$348,299,000 compared with net operating cash inflow of HK\$332,045,000 in 2020.

## FOREIGN EXCHANGE RISK MANAGEMENT

The Group has foreign currency sales and purchases, bank deposits and borrowings primary in United States dollars and Renminbi which expose the Group to foreign currency risk.

The Group entered into foreign currency forward contracts to hedge the currency risk related to its payable denominated in foreign currencies.

## EMPLOYEE AND REMUNERATION POLICY

At 31 December 2021, the Group employed approximately 450 employees in the Greater China region. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.



## DIRECTORS

### Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP* ("Dr. Yim"), aged 62, is the founder and the Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategies and the overall direction for the Group. Dr. Yim is appointed as chairman and executive director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange in 2015. Dr. Yim has been an independent director of Innolux Corporation (stock code: 3481.TW), a company listed on the Taiwan Stock Exchange, since 2013. Dr. Yim is appointed as independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 711), a company listed on the Main Board of the Stock Exchange in 2020 and has been re-designated from independent non-executive director to a non-executive director on 15 September 2021 and remain as a member of the audit committee and the nomination committee. Dr. Yim is currently the president of the Hong Kong Justice of the Peace Association, the honorary vice chairman of the Hong Kong Electronic Industries Association, a member of Yan Chai Hospital Advisory Board, a member of the Chinese People's Political Consultative Conference Shanghai Committee, the vice chairman of the Hongkong-Shanghai Economic Development Association, the chairman of the Tsuen Wan District Civic Education Committee and the vice chairman of Tsuen Wan District JPC Honorary President Council. Dr. Yim is the father of Mr. Jacky Yim and Ms. Carmen Yim and is the brother-in-law of Mr. Tsui.

Mr. Wong Sui Chuen, aged 68, is appointed as an Executive Director of the Company in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. He is currently appointed as the consultant of Promotion of the reunification of China of the Metro Washington Chapter Inc., the vice president of Shenzhen Association of Enterprises with Foreign Investment, the consultant of the Greater Bay Area Cultural Volunteer Group and the consultant of Shenzhen Association for the Promotion of International Economy & Culture.

Mr. Yim Tsz Kit, Jacky ("Mr. Jacky Yim"), aged 37, is appointed as an Executive Director of the Company in 2013. He joins the Group in 2009 and leads a working team to develop the LED lighting business in the Group. He is the founder and chief executive officer of S.A.S. Lighting Company Limited. He has received the Young Entrepreneur Award of the Guangdong-HK-Macao Greater Bay Area in 2020, the Directors of the Year Awards from The Hong Kong Institute of Directors in 2019 and he has also received the Young Industrialist Awards of Hong Kong from The Federation of Hong Kong Industries in 2017. He holds a Bachelor's degree from Central Saint Martins in United Kingdom and a Master's degree in Business Administration from the University of Wales. Before joining the Group, he was working in banking industry. He has been acting as the vice chairman of the 8th board of directors of Shenzhen Association of Enterprises with Foreign Investment (深圳市外商投資企業協會) since 2014 and a member of 上海市長寧區第14屆政協 (unofficial English translation being Shanghai Committee of Chinese People's Political Consultative Conference of Changning Province) since 2017. Mr. Yim is currently a member of the Hong Kong Trade Development Council (HKTDC) Electronics/Electrical Appliances Industries Advisory Committee and the Hong Kong Electrical Appliance Industries Association. He is also currently a member of the executive committee of Hong Kong Electronic Industries Association and the executive committee of Hong Kong Young Industrialists Council. He is the son of Dr. Yim and the nephew of Mr. Tsui and elder brother of Ms. Carmen Yim.





## Directors and Senior Management Profiles

Mr. Wong Wai Tai, Peter, aged 50, is appointed as Executive Director of the Company in 2016. He joined the Group in 2005 as the Company Secretary and Chief Financial Officer of the Group. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over twenty years experience in accounting, auditing, taxation and financial management. Mr. Wong is appointed as non-executive director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange, in 2016.

Mr. Tsui Chi Wing ("Mr. Tsui"), aged 58, is appointed as Executive Director of the Company in 2021. He joined the group in 2012 as President of Time Speed Technology Corporation incorporated in Taiwan, a wholly-owned subsidiary of the Company. He has more than thirty years in the operation and management in the electronic industry. He is currently a member of Rotary Club of Taipei Chung Cheng and the High Tech Charity Association of Taiwan. He is the brother-in-law of Dr. Yim and is the uncle of Mr. Jacky Yim and Ms. Carmen Yim.

### Non-Executive Director

Ms. Yim Kei Man, Carmen ("Ms. Carmen Yim"), aged 33, is appointed as the Non-Executive Director of the Company on 25 March 2022. She holds a Bachelor's degree in Sociology from the London School of Economics. She is currently a director of Knight Frank Hong Kong Limited and has over 9 years experience in property investment industry. She has been acting as the board of directors of Yan Chai Hospital since 2018. She is currently the manager of Yan Chai Hospital Yim Tsui Yuk Shan Kindergarten, Yan Chai Hospital Ho Sik Nam Primary School as well as Yan Chai Hospital Lan Chi Pat Memorial Secondary School. She is also the honorary career advisor of Hong Kong Baptist University and a member of Young Entrepreneur Committee of Hong Kong Baptist University Foundation. She is the daughter of Dr. Yim, nephew of Mr. Eric Tsui and younger sister of Mr. Jacky Yim.

### Independent Non-Executive Directors

Mr. Wong Tak Yuen, Adrian, aged 67, is appointed as Independent Non-Executive Director of the Company in 1999. Mr. Wong holds a Bachelor's degree in Economics and Mathematics from the University of Western Ontario, London, Canada. Mr. Wong has over twenty years experience in the financial industry.

Mr. Liu Chun Ning, Wilfred, aged 60, is appointed as Independent Non-Executive Director of the Company in 2001. He is currently an independent non-executive director of Victory Securities (Holdings) Company Limited (stock code: 8540), a company listed on the GEM Board of the Stock Exchange. He holds a Bachelor's degree in economics from the University of Newcastle-upon-Tyne (UK).

Mr. Cheung Chi Kwan, aged 62, is appointed as Independent Non-Executive Director of the Company in 2004. Mr. Cheung has over twenty years of accounting experience. Mr. Cheung holds a Bachelor's Degree in Laws from University of Wolverhampton, United Kingdom. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

Mr. Wong Wai Kin, aged 76, is appointed as Independent Non-Executive Director of the Company in 2018. Mr. Wong holds a Honor degree in Geography and Geology from University of Hong Kong. He has extensive experience in the government of the HKSAR and hospital management. He held the directorate posts of Controller and Student Financial Assistant Agency and Secretary General of Independent Police Complaints Committee. He is currently a member of the School Management Committee of Yan Chai Hospital Tung Chi Ying Secondary School and Yan Chai Hospital Chan Lu Sing Primary School.



## SENIOR MANAGEMENT

Mr. Chin Kan Tak, Danny, aged 65, joined the Group in 1990 as the Chief Treasury Officer of the Group. He has more than twenty years experience in the operation and management in the electronic industry.

Mr. Wang Yi, Michael, aged 54, joined the Group in 2002 as the Sales Director of SMartech Electronic Company Limited. He graduated from Shanghai University of Technology, with a Bachelor's degree in Electronic engineering. He has several years experience as Field Application Engineer in Philips Semiconductor Shanghai and ten years experience as Sales & Marketing Manager of Samsung Semiconductor in the PRC.

Mr. Cao Lei, Benny, aged 54, joined the Group in 2005 as the General Manager of SMartech Electronic Company Limited. He graduated from Shanghai Railway Technology Institute with a college degree in Reliability Engineering. He has more than twenty years management experience in electronics field on sales and marketing.

The Group continues to achieve high standards of corporate governance which, it believes, is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Company complied with the applicable code provisions in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2021, except for the deviations from code provisions A.1.8, A.2.1, A.4.1 and A.6.7 which are explained in the relevant paragraphs below.

## BOARD OF DIRECTORS

The Board currently consists of 5 executive directors, namely, Dr. Yim Yuk Lun, Stanley *BBS JP* ("Dr. Yim"), Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky, Mr. Wong Wai Tai and Mr. Tsui Chi Wing, Eric and 1 non-executive director, namely Ms. Yim Kei Man, Carmen and 4 independent non-executive directors ("INEDs"), namely, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin (collectively the "Directors"). Dr. Yim (the Chairman and Managing Director of the Group and a substantial shareholder of the Company) is the father of Mr. Yim Tsz Kit, Jacky and Ms. Yim Kei Man, Carmen and is the brother-in-law of Mr. Tsui Chi Wing, Eric.

Details of remuneration paid to members of key management (including all Directors and senior management) for the year ended 31 December 2021 fell within the following bands:

|                                 | <b>Number of<br/>individual<br/>2021</b> |
|---------------------------------|--|
| Below HK\$1,000,000             | 4  |
| HK\$1,000,001 – HK\$2,000,000   | 5  |
| HK\$2,000,001 – HK\$3,000,000   | 1  |
| HK\$26,000,000 – HK\$27,000,000 | 1  |
| HK\$39,000,000 – HK\$40,000,000 | 1  |

The Board is responsible for the formulation of corporate strategies, the setting of appropriate strategic policies and internal control and the oversight of the operation and financial performance of the Group. The Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Group.

Day-to-day management of the Group is delegated to the executive directors or senior management. Executive Directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Company has received annual confirmation of independence from the four INEDs pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent within the definition of the Listing Rules.

During the year, all Directors have received regular updates on the changes and developments in the relevant laws and regulations applicable to the Directors. Additionally, trainings have been attended by all Directors covering the updates on the Companies Ordinance, the Listing Rules and/or accounting reporting standards.



Under the code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Having considered the current business operation and the size of the Group, the Board is of the view that Dr. Yim acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group. Dr. Yim is responsible for the formulation of corporate strategies and the overall direction for the Group's management team.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors of the Company have not been appointed for a specific term. However, according to the Bye-laws of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group.

## **AUDIT COMMITTEE**

The Audit Committee currently consists of 3 INEDs, namely, Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin. Mr. Wong Tak Yuen, Adrian is the Chairman of the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice in 2021 to review the interim and final results and reports, financial reporting and compliance procedures and effectiveness of risk management systems and internal controls of the Group for the year ended 31 December 2021. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

The principal duties of the Audit Committee includes the review and supervision of the Group's financial reporting system, risk management systems and internal controls procedures, review of the Group's financial information and the relationship with the Auditors of the Company.



During the financial year ended 31 December 2021, the Group has engaged the external auditors, Deloitte Touche Tohmatsu, to provide the following services and their respective fees charged are set out as below:

| Type of Services                   | Amount<br><i>HK\$'000</i> |
|------------------------------------|---------------------------|
| Audit fee                          | 2,434                     |
| Non-audit and tax related services | 310                       |

## REMUNERATION COMMITTEE

The Remuneration Committee currently comprises 3 members, namely, Mr. Wong Sui Chuen, Mr. Wong Tak Yuen, Adrian and Mr. Wong Wai Kin, majority of whom are INEDs, and is chaired by Mr. Wong Tak Yuen, Adrian. The remuneration committee held 3 meetings during the year, to review and discuss with the management of the Company the policy and structure of the remuneration of Directors, the senior management of the Group and the recommendations of salary for the newly appointed director.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and to review the specific remuneration packages of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

## NOMINATION COMMITTEE

The Nomination Committee comprises 3 members, namely, Mr. Wong Sui Chuen, Mr. Wong Tak Yuen, Adrian and Mr. Cheung Chi Kwan, majority of whom are INEDs and is chaired by Mr. Wong Tak Yuen, Adrian.

The nomination committee held 2 meetings during the year to recommend the re-appointment of the Directors standing for re-election at the annual general meeting, to review and discuss the composition of the Board of the Company, to assess the independency of INEDs and the recommendations of appointment of newly director.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, to review the structure, size and composition of the Board and to assess the independence of the independent non-executive directors.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

- Reputation for integrity
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy
- Commitment in respect of available time and relevant interest
- The number of existing directorships and other commitments that may demand the attention of the candidate

- Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service
- Such other perspectives appropriate to the Company's business

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this annual report, the Board comprises 10 Directors, including 5 executive directors, 1 non-executive director and 4 INEDs, thereby promoting critical review and control of the management process. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

| Name of Director                       | Age Group |          |          |             |
|--|-----------|----------|----------|-------------|
|  | 30–39     | 50 to 59 | 60 to 69 | 70 or above |
| Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> |           |          | ✓        |             |
| Mr. Wong Sui Chuen                     |           |          | ✓        |             |
| Mr. Yim Tsz Kit, Jacky                 | ✓         |          |          |             |
| Mr. Wong Wai Tai                       |           | ✓        |          |             |
| Mr. Tsui Chi Wing, Eric                |           | ✓        |          |             |
| Ms. Yim Kei Man, Carmen                | ✓         |          |          |             |
| Mr. Wong Tak Yuen, Adrian              |           |          | ✓        |             |
| Mr. Liu Chun Ning, Wilfred             |           |          | ✓        |             |
| Mr. Cheung Chi Kwan                    |           |          | ✓        |             |
| Mr. Wong Wai Kin                       |           |          |          | ✓           |

| Name of Director                       | Electronics | LED lighting and display | Accounting | Finance and banking | Hospital management | Property investment |
|--|-------------|--------------------------|------------|---------------------|---------------------|---------------------|
| Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> | ✓           |                          |            |                     |                     |                     |
| Mr. Wong Sui Chuen                     | ✓           |                          |            |                     |                     |                     |
| Mr. Yim Tsz Kit, Jacky                 |             | ✓                        |            |                     |                     |                     |
| Mr. Wong Wai Tai                       |             |                          | ✓          |                     |                     |                     |
| Mr. Tsui Chi Wing, Eric                | ✓           |                          |            |                     |                     |                     |
| Ms. Yim Kei Man, Carmen                |             |                          |            |                     |                     | ✓                   |
| Mr. Wong Tak Yuen, Adrian              |             |                          |            | ✓                   |                     |                     |
| Mr. Liu Chun Ning, Wilfred             |             |                          |            | ✓                   |                     |                     |
| Mr. Cheung Chi Kwan                    |             |                          | ✓          |                     |                     |                     |
| Mr. Wong Wai Kin                       |             |                          |            |                     | ✓                   |                     |

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. at least one-third of the members of the Board shall be INEDs;
2. at least one of the members of the Board shall have obtained accounting or other professional qualifications; and
3. gender diversity of the Board.

The Board has achieved the measurable objectives in the Board Diversity Policy.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).



## BOARD AND COMMITTEE ATTENDANCE

Details of the attendance of each of the Directors at board meeting, committees meetings and annual general meeting (the “AGM”) during the year are set out in the table below:

|   | Board | Audit Committee | Remuneration Committee | Nomination Committee | AGM |
|---|-------|-----------------|------------------------|----------------------|-----|
| Number of Meeting(s)                                | 5     | 2               | 3                      | 2                    | 1   |
| <b>Executive Directors</b>                          |       |                 |                        |                      |     |
| Dr. Yim Yuk Lun, Stanley <i>BBS JP</i>              | 5/5   | N/A             | N/A                    | N/A                  | 1/1 |
| Wong Sui Chuen                                      | 5/5   | N/A             | 3/3                    | 2/2                  | 1/1 |
| Yim Tsz Kit, Jacky                                  | 5/5   | N/A             | N/A                    | N/A                  | 1/1 |
| Wong Wai Tai  | 5/5   | N/A             | N/A                    | N/A                  | 1/1 |
| Tsui Chi Wing, Eric                                 | 5/5   | N/A             | N/A                    | N/A                  | 1/1 |
| <b>Non-Executive Director</b>                       |       |                 |                        |                      |     |
| Yim Kei Man, Carmen<br>(appointed on 25 March 2022) | N/A   | N/A             | N/A                    | N/A                  | N/A |
| <b>Independent Non-Executive Directors</b>          |       |                 |                        |                      |     |
| Wong Tak Yuen, Adrian                               | 5/5   | 2/2             | 3/3                    | 2/2                  | 1/1 |
| Liu Chun Ning, Wilfred                              | 5/5   | N/A             | N/A                    | N/A                  | 1/1 |
| Cheung Chi Kwan                                     | 5/5   | 2/2             | N/A                    | 2/2                  | 1/1 |
| Wong Wai Kin  | 5/5   | 2/2             | 3/3                    | N/A                  | 1/1 |

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining good and effective risk management and internal controls of the Group.

During the year, the Board, with the assistance of the audit committee, conducted a review of the effectiveness and adequacy of the Group’s risk management and internal control systems, covering financial, operational, compliance control and risk management functions. To assist the audit committee to fulfill its responsibilities, the senior management has to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board.

The Group risk management and internal control system includes the setting up of a management structure with limits of authority and is designed to help the Group achieve its business objectives, protects its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group’s operational systems and in the achievement of the Group’s business objectives.



Risk management report and internal control report are submitted to the audit committee and the Board at least once a year. After reviewing the Group's risk management and internal control systems, the Board considers that the systems are effective and adequate for the Group as a whole. The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year under review.

### **PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION**

The Group complies with requirements of Securities and Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

### **SHAREHOLDERS' RIGHT**

#### **(i) Procedures by which shareholders can convene a Special General Meetings ("SGM")**

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within 21 days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

#### **(ii) Procedures for putting forward proposals at General Meetings ("GM")**

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the GM, or who are no less than 100 shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited to the Company Secretary at the Company's office in Hong Kong at 19/F., S.A.S. Tower, 55 Lei Muk Road, Kwai Chung, NT, Hong Kong not less than 6 weeks before the GM in case of a requisition requiring notice of a resolution and not less than one week before the GM in case of any other requisition.



The request will be verified with the Company's Share Registrars and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

### **(iii) Shareholders' Enquiries**

Shareholders may at any time send their enquiries and concerns to the Board in writing with contact information of the requisitionists and deposited to the Company Secretary at the Company's office in Hong Kong at 19th Floor, S.A.S. Tower, 55 Lei Muk Road, Kwai Chung, N.T., Hong Kong.

## **COMMUNICATION WITH SHAREHOLDERS**

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at [www.sasdragon.com.hk](http://www.sasdragon.com.hk). The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All Directors and senior management will make an effort to attend. All shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other shareholders' meetings.

The directors present their annual report and the audited consolidated financial statements of S.A.S. Dragon Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes to the Group’s principal activities during the current year.

## **DIVIDENDS**

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 35 and 36.

The directors recommend the payment of a final dividend of HK30 cents per share to the shareholders on the register of members on 30 May 2022. Dividend warrants will be dispatched on 7 June 2022.

## **DIVIDEND POLICY**

The Company has adopted a dividend policy, pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. According to the dividend policy, subject to compliance with applicable rules and statutory regulations (including Bermuda laws) and the Bye-Laws of the Company, the Company will pay dividend to the shareholders.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia:

- overall business conditions and strategies;
- our financial results;
- our retained earnings and distributable reserves;
- our capital requirements;
- taxation considerations; and
- any other factors our Board may deem relevant.

In addition to cash, dividends may be distributed in the form of shares. The dividend policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

## **BUSINESS REVIEW**

Business review of the Group for the year ended 31 December 2021 has been stated in the Chairman’s Statement and Management Discussion and Analysis on pages 6 to 10 of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 68.1% and 78.3%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 41.1% and 61.2%, respectively, of the Group's total sales for the year.

Hon Hai Precision Industry Co., Ltd. ("Hon Hai"), a shareholder holding more than 5% of the Company's share capital, was one of the Group's five largest suppliers. Save for this company, none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers and customers.

## SHARE CAPITAL

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

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2021, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is represented by the contributed surplus and the retained profits in the aggregate amount of HK\$225,446,000 (2020: HK\$400,950,000) as disclosed in note 37 to the consolidated financial statements.

## ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on page 10 of this report.

## ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. Using LED lighting and display for offices and warehouse premises, environmentally friendly paper to print annual and interim reports, recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate ESG report for 2021 will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited in due course in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

## COMPLIANCE WITH REGULATIONS

There was no material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and other applicable local laws and regulations in various jurisdictions.

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customers to fulfil their immediate and long-term need.

The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

## PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

The business operation of the Group is subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Save for the above, the Company is exposed to a variety of main risks including currency risk, interest rate risk, credit risk and liquidity risk. Details of the above main risks and measures for risk reduction are set out in note 35(b) to the consolidated financial statements.

## DIRECTORS

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

### Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP* (*Chairman and Managing Director*)  
Wong Sui Chuen  
Yim Tsz Kit, Jacky  
Wong Wai Tai  
Tsui Chi Wing, Eric

### Non-Executive Director

Yim Kei Man, Carmen (appointed on 25 March 2022)



## Independent Non-Executive Directors

Wong Tak Yuen, Adrian  
Liu Chun Ning, Wilfred  
Cheung Chi Kwan  
Wong Wai Kin

In accordance with 86(2) and 87 of the Company's Bye-Laws, Dr. Yim Yuk Lun, Stanley *BBS JP*, Mr. Yim Tsz Kit, Jacky, Ms. Yim Kei Man, Carmen and Mr. Wong Tak Yuen, Adrian retire and, being eligible, offer themselves for re-election at the coming annual general meeting.

The term of office for all remaining directors is the period up to his retirement by rotation in accordance with the above Bye-Laws.

## UPDATE ON DIRECTORS' INFORMATION

Pursuant to rule 13.51B(1) of the Listing Rules, the change of directors' information of the Company since the date of 2021 interim report is as follow:

Ms. Yim Kei Man, Carmen is appointed as the Non-Executive Director on 25 March 2022.

## DIRECTORS' SERVICE CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report was any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

## MANAGEMENT CONTRACT

There were no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries or fellow subsidiaries, entered into or existed during the year.

## DIRECTORS' INTEREST IN A TRANSACTION, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE

No transaction, arrangement and contract of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2021, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

## Long positions

### (a) Ordinary shares of HK\$0.10 each of the Company

| Name of directors                      | Capacity   | Number of issued ordinary shares held | Percentage of issued share capital of the Company |
|--|--|---------------------------------------|---|
| Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> | Beneficial owner<br>Held by controlled corporation<br>(Note 1) | 114,372,000                           | 18.27%  |
|  |  | 227,542,800                           | 36.36%  |
|  |  | 341,914,800                           | 54.63%  |
| Wong Sui Chuen                         | Beneficial owner   | 1,824,000                             | 0.29%   |
| Tsui Chi Wing, Eric                    | Beneficial owner   | 714,800                               | 0.11%   |

### (b) Ordinary shares of HK\$0.01 each of Hi-Level Technology Holdings Limited ("Hi-Level shares")

| Name of directors                      | Capacity  | Number of issued ordinary shares held | Percentage of issued share capital of Hi-Level |
|--|---|---------------------------------------|--|
| Dr. Yim Yuk Lun, Stanley <i>BBS JP</i> | Beneficial owner (Note 2)<br>Held by controlled corporation<br>(Note 2) | 43,122,861                            | 6.61%  |
|  |   | 219,543,000                           | 33.63%   |
|  |   | 262,665,861                           | 40.24%   |
| Wong Wai Tai                           | Beneficial owner  | 3,300,000                             | 0.51%  |
| Tsui Chi Wing, Eric                    | Beneficial owner  | 3,233,753                             | 0.50%  |
| Wong Sui Chuen                         | Beneficial owner  | 2,531,328                             | 0.39%  |
| Yim Tsz Kit, Jacky                     | Beneficial owner  | 300,000                               | 0.05%  |

#### Notes:

- These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Dr. Yim Yuk Lun, Stanley *BBS JP*.
- Dr. Yim Yuk Lun, Stanley *BBS JP* beneficially owns 43,122,861 Hi-Level shares and is the controlling shareholder of the Company; he is therefore under the SFO deemed to be interested in 219,543,000 Hi-Level shares held by S.A.S. Investment Company Limited ("S.A.S. Investment") which is a wholly-owned subsidiary of the Company.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2021.

## SHARE OPTIONS

The Company has not granted or issued any share option up to 31 December 2021.

As at the date of this Report, save as otherwise approved by shareholders of the Company, the maximum number of shares available for issue under options which may be granted is 24,658,072, representing approximately 3.9% of the number of existing issued shares of the Company.

## EQUITY-LINKED AGREEMENTS

Other than the Company's share option scheme disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had right to subscribe for the securities of the Company, or had exercised any such right during the year.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions:

#### **Ordinary shares of HK\$0.10 each of the Company**

| Name of shareholders                | Capacity                                       | Number of issued ordinary shares held | Percentage of issued share capital of the Company |
|-------------------------------------|--|---------------------------------------|---|
| Hon Hai                             | Held by controlled corporation ( <i>Note</i> ) | 124,000,000                           | 19.81%  |
| Foxconn Holding Limited ("Foxconn") | Beneficial owner                               | 124,000,000                           | 19.81%  |

*Note:* Hon Hai owns 100% interest in Foxconn and is accordingly deemed to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2021.

## TAX RELIEF

The Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the shares. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

## CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2021, the Group entered into a number of connected transactions and continuing connected transactions with Hon Hai (being the substantial shareholder of the Company) and its subsidiaries (which are regarded as connected persons as defined in the Listing Rules).

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2021:

Pursuant to the conditional master agreement entered into among the Company and Hon Hai on 28 December 2018 which governs the sales and purchases of electronic components to be made for the next 3 financial years during the period between 1 January 2019 and 31 December 2021 (as amended by the respective agreement dated 23 November 2006, 18 November 2009, 9 April 2010, 12 November 2012 and 9 November 2015).

The current conditional master agreement (2021 renewal) was entered into on 2 December 2021 which governs the sales and purchases of electronic components and sale of other products by the Group to Hon Hai Group and distribution of SHARP's products and distribution of other brand products under the Hon Hai Group to be made for the next 3 financial years commencing from 1 January 2022 to 31 December 2024. Further details of the said agreement were set out in the announcement of the Company dated 2 December 2021 and the circular of the Company dated 14 February 2022.

The said agreement and the proposed sale and purchase caps were duly approved by the shareholders of the Company on 9 March 2022.

During the year under review, the value of connected continuing transactions for the year ended 31 December 2021 as below:

| <b>Nature of transactions</b>                | <b>2021</b><br><i>HK\$'000</i> |
|--|--------------------------------|
| Purchase of electronic products by the Group | 2,326,451                      |
| Sales of electronic products by the Group    | 2,665,491                      |

Save as disclosed above:

- (i) no contracts of significance subsisted at any time during the year 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; and
- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.



In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions and, in their opinion, these transactions were entered into by the Group:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2021, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

## **PRE-EMPTIVE RIGHTS**

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

## **EMOLUMENT POLICY**

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to eligible employees.



## SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2021.

## DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$1,507,000.

## AUDITOR

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

Signed on behalf of the Board

**Dr. YIM YUK LUN, STANLEY** *BBS JP*  
*CHAIRMAN AND MANAGING DIRECTOR*

Hong Kong, 25 March 2022

# Deloitte.

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## TO THE MEMBERS OF S.A.S. DRAGON HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

### OPINION

We have audited the consolidated financial statements of S.A.S. Dragon Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 35 to 143, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by 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.

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><b><i>Allowance for inventories</i></b></p> <p>We identified the allowance for inventories as a key audit matter due to significant judgement and estimation exercised by the management in identifying the obsolete and slow-moving inventory items, and estimating the allowance of inventories.</p> <p>Referring to note 4 to the consolidated financial statements, the directors of the Company review inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories aging analysis. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The management estimates the net realisable value of inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2021, the carrying value of inventories was HK\$2,654,073,000 (net of allowance of HK\$132,155,000).</p> | <p>Our procedures in relation to evaluating the appropriateness of allowance for inventories included:</p> <ul style="list-style-type: none"> <li>• Understanding how the management identify obsolete and slow-moving inventory items, and estimates the allowance for obsolete and slow-moving inventory items as at 31 December 2021;</li> <li>• Testing the accuracy of the inventories aging analysis as at 31 December 2021, on a sample basis;</li> <li>• Assessing the reasonableness of the net realisable value of inventories and allowance for inventories estimated by the management by tracing the latest selling prices to the sales invoices, on a sample basis; and</li> <li>• Evaluating the historical accuracy of the allowance for inventories estimation by the management.</li> </ul> |

## OTHER INFORMATION

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

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

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



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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

*(Continued)*

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in the independent auditor's report is Mok Sau Fan.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

25 March 2022



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021



|  | NOTES | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|-------|------------------|------------------|
| Revenue  | 5     | 35,297,778       | 20,164,341       |
| Cost of sales  |       | (33,710,530)     | (19,292,477)     |
| Gross profit   |       | 1,587,248        | 871,864          |
| Other income   | 8(b)  | 23,057           | 16,710           |
| Other gains and losses, net  | 8(c)  | 75,877           | (6,811)          |
| Reversal of impairment losses (impairment losses)<br>under expected credit loss model, net   |       | 420              | (1,594)          |
| Distribution and selling expenses  |       | (102,990)        | (67,440)         |
| Administrative expenses  |       | (355,005)        | (298,763)        |
| Change in fair value of investment properties  | 13    | (40,608)         | (32,320)         |
| Share of (loss) profit of associates   |       | (16,175)         | 9,986            |
| Share of profit of a joint venture   |       | 710              | 296              |
| Finance costs  | 6     | (34,130)         | (49,007)         |
| Loss from derecognition of trade receivables at fair value<br>through other comprehensive income   |       | (29,386)         | (23,467)         |
| Profit before tax  |       | 1,109,018        | 419,454          |
| Income tax expense   | 7     | (183,884)        | (69,571)         |
| <b>Profit for the year</b>   | 8(a)  | <b>925,134</b>   | 349,883          |
| <b>Other comprehensive income</b>  |       |                  |                  |
| <b>Item that will not be reclassified to profit or loss:</b>   |       |                  |                  |
| Fair value gain on leasehold land and buildings transferred to<br>investment properties  |       | -                | 65,720           |
| <b>Items that may be reclassified subsequently<br/>to profit or loss:</b>  |       |                  |                  |
| Change in fair value on trade receivables at fair value<br>through other comprehensive income  |       | (27,387)         | (28,314)         |
| Reclassification adjustment for cumulative loss included in<br>profit or loss upon disposal of trade receivable measured at<br>fair value through other comprehensive income |       | 29,386           | 23,467           |
| Exchange differences arising on translation of foreign<br>operations of subsidiaries   |       | 17,196           | 42,238           |
| Share of other comprehensive expense of associates<br>and a joint venture  |       | 615              | 2,231            |
|  |       | 19,810           | 39,622           |
| Other comprehensive income for the year  |       | 19,810           | 105,342          |
| Total comprehensive income for the year  |       | 944,944          | 455,225          |



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

|   | NOTE | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|---|------|------------------|------------------|
| Profit for the year attributable to:        |      |                  |                  |
| Owners of the Company                       |      | <b>713,191</b>   | 261,897          |
| Non-controlling interests                   |      | <b>211,943</b>   | 87,986           |
|   |      | <b>925,134</b>   | 349,883          |
| Total comprehensive income attributable to: |      |                  |                  |
| Owners of the Company                       |      | <b>732,716</b>   | 367,962          |
| Non-controlling interests                   |      | <b>212,228</b>   | 87,263           |
|   |      | <b>944,944</b>   | 455,225          |
| Basic earnings per share (HK cents)         | 12   | <b>113.96</b>    | 41.85            |

# Consolidated Statement of Financial Position

At 31 December 2021



|   | NOTES | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Non-current Assets</b>   |       |                  |                  |
| Investment properties   | 13    | 810,300          | 832,740          |
| Property, plant and equipment   | 14    | 408,208          | 436,208          |
| Intangible assets   | 15    | 14,477           | 15,321           |
| Right-of-use assets   | 16    | 178,207          | 185,288          |
| Interests in associates   | 17    | 51,958           | 72,085           |
| Interest in a joint venture   | 18    | 11,571           | 10,715           |
| Financial assets at fair value through profit or loss                 | 22    | 2,998            | 2,998            |
| Finance lease receivables   | 21    | 9,986            | 25,997           |
| Deferred tax assets   | 30    | 9,602            | 8,794            |
|   |       | <b>1,497,307</b> | 1,590,146        |
| <b>Current Assets</b>   |       |                  |                  |
| Inventories   | 19    | 2,654,073        | 1,801,012        |
| Trade and other receivables   | 20(a) | 2,125,160        | 1,239,960        |
| Trade receivables at fair value through<br>other comprehensive income | 20(b) | 1,127,877        | 1,406,049        |
| Finance lease receivables   | 21    | 12,848           | 19,528           |
| Amount due from an associate  | 36    | 132              | 93               |
| Derivative financial instruments                                      | 27    | 876              | –                |
| Financial assets at fair value through profit or loss                 | 22    | 130,439          | 31,669           |
| Tax recoverable   |       | 894              | 1,447            |
| Pledged bank deposits   | 23    | 25,366           | 25,596           |
| Bank balances and cash  | 23    | 1,758,977        | 1,166,982        |
|   |       | <b>7,836,642</b> | 5,692,336        |
| <b>Current Liabilities</b>  |       |                  |                  |
| Trade and other payables  | 24    | 3,428,943        | 2,981,766        |
| Contract liabilities  | 25    | 366,996          | 48,548           |
| Lease liabilities due within one year                                 | 26    | 584              | 977              |
| Derivative financial instruments                                      | 27    | –                | 13,797           |
| Tax liabilities   |       | 139,055          | 33,516           |
| Bank and other borrowings due within one year                         | 28    | 2,280,502        | 1,769,011        |
|   |       | <b>6,216,080</b> | 4,847,615        |
| <b>Net Current Assets</b>   |       | <b>1,620,562</b> | 844,721          |
| <b>Total Assets less Current Liabilities</b>                          |       | <b>3,117,869</b> | 2,434,867        |



# Consolidated Statement of Financial Position

At 31 December 2021

|  | NOTES | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Non-current Liabilities</b>               |       |                  |                  |
| Deferred tax liabilities                     | 30    | 40,428           | 49,776           |
| Lease liabilities due after one year         | 26    | 214              | 508              |
| Bank and other borrowings due after one year | 28    | 233,940          | 260,359          |
|  |       | <b>274,582</b>   | 310,643          |
| <b>Net Assets</b>                            |       |                  |                  |
|  |       | <b>2,843,287</b> | 2,124,224        |
| <b>Capital and Reserves</b>                  |       |                  |                  |
| Share capital                                | 29    | 62,584           | 62,584           |
| Share premium and reserves                   |       | 2,327,762        | 1,793,173        |
| Equity attributable to owners of the Company |       | 2,390,346        | 1,855,757        |
| Non-controlling interests                    |       | 452,941          | 268,467          |
| <b>Total Equity</b>                          |       | <b>2,843,287</b> | 2,124,224        |

The consolidated financial statements on pages 35 to 143 were approved and authorised for issue by the Board of Directors on 25 March 2022 and are signed on its behalf by:

**Dr. Yim Yuk Lun, Stanley** *BBS JP*  
*DIRECTOR*

**Mr. Wong Sui Chuen**  
*DIRECTOR*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

|   | Attributable to owners of the Company |                           |  |   |  |  |  |                                 |                            |                              |                   | Non-controlling interests<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------------------------|---------------------------|--|---|--|--|--|---------------------------------|----------------------------|------------------------------|-------------------|---------------------------------------|-------------------|
|   | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Capital reserve<br>HK\$'000<br>(note i) | Other reserve<br>HK\$'000<br>(note iv) | Contributed surplus<br>HK\$'000<br>(note ii) | Property revaluation reserve<br>HK\$'000<br>(note iii) | Translation reserve<br>HK\$'000 | FVTOCI reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Total<br>HK\$'000 |                                       |                   |
| At 1 January 2020   | 62,584                                | 6,521                     | 1,109                                  | 11,145                                  | (11,756)                               | 13,519                                       | 141,214  | (44,939)                        | -                          | 1,442,953                    | 1,622,350         | 212,204                               | 1,834,554         |
| Profit for the year   | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | -                          | 261,897                      | 261,897           | 87,986                                | 349,883           |
| Fair value gain on leasehold properties transferred to investment properties (note 13)  | -                                     | -                         | -                                      | -                                       | -                                      | -  | 65,720   | -                               | -                          | -                            | 65,720            | -                                     | 65,720            |
| Change in fair value on trade receivables at fair value through other comprehensive income  | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | (22,074)                   | -                            | (22,074)          | (6,240)                               | (28,314)          |
| Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivables measured at fair value through other comprehensive income | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | 17,950                     | -                            | 17,950            | 5,517                                 | 23,467            |
| Exchange differences arising on translation of foreign operations of subsidiaries   | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | 42,238                          | -                          | -                            | 42,238            | -                                     | 42,238            |
| Share of other comprehensive expense of associates and a joint venture  | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | 2,231                           | -                          | -                            | 2,231             | -                                     | 2,231             |
| Total comprehensive income (expense) for the year   | -                                     | -                         | -                                      | -                                       | -                                      | -  | 65,720   | 44,469                          | (4,124)                    | 261,897                      | 367,962           | 87,263                                | 455,225           |
| Capital contribution by non-controlling interests   | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | -                          | -                            | -                 | 250                                   | 250               |
| Dividends paid (note 11)  | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | -                          | (134,555)                    | (134,555)         | -                                     | (134,555)         |
| Dividend paid to non-controlling interests  | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | -                          | -                            | -                 | (31,250)                              | (31,250)          |
| At 31 December 2020   | 62,584                                | 6,521                     | 1,109                                  | 11,145                                  | (11,756)                               | 13,519                                       | 206,934  | (470)                           | (4,124)                    | 1,570,295                    | 1,855,757         | 268,467                               | 2,124,224         |
| Profit for the year   | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | -                          | 713,191                      | 713,191           | 211,943                               | 925,134           |
| Change in fair value on trade receivables at fair value through other comprehensive income  | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | (20,563)                   | -                            | (20,563)          | (6,824)                               | (27,387)          |
| Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivables measured at fair value through other comprehensive income | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | 22,294                     | -                            | 22,294            | 7,092                                 | 29,386            |
| Exchange differences arising on translation of foreign operations of subsidiaries   | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | 17,179                          | -                          | -                            | 17,179            | 17                                    | 17,196            |
| Share of other comprehensive expense of associates and a joint venture  | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | 615                             | -                          | -                            | 615               | -                                     | 615               |
| Total comprehensive income for the year   | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | 17,794                          | 1,731                      | 713,191                      | 732,716           | 212,228                               | 944,944           |
| Disposal of a subsidiary  | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | -                          | -                            | -                 | 3,758                                 | 3,758             |
| Partial disposal of a subsidiary without loss of control  | -                                     | -                         | -                                      | -                                       | (988)                                  | -  | -  | -                               | -                          | -                            | (988)             | 988                                   | -                 |
| Dividends paid (note 11)  | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | -                          | (197,139)                    | (197,139)         | -                                     | (197,139)         |
| Dividend paid to non-controlling interests  | -                                     | -                         | -                                      | -                                       | -                                      | -  | -  | -                               | -                          | -                            | -                 | (32,500)                              | (32,500)          |
| At 31 December 2021   | 62,584                                | 6,521                     | 1,109                                  | 11,145                                  | (12,744)                               | 13,519                                       | 206,934  | 17,324                          | (2,393)                    | 2,086,347                    | 2,390,346         | 452,941                               | 2,843,287         |





# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

## Notes:

- (i) The capital reserve of the Group represents the aggregate of:
  - (a) the reserve of HK\$10,445,000 arising on the acquisition of shares in subsidiaries from non-controlling shareholders pursuant to a previous group reorganisation; and
  - (b) the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a previous group reorganisation, and the nominal value of the Company's shares issued in exchange of HK\$700,000.
- (ii) The contributed surplus of the Group represents the net aggregate of:
  - (a) the credit arising from the reduction of the nominal value of the consolidated shares from HK\$1.00 each to HK\$0.10 each by cancelling HK\$0.90 paid up on each issued share, after a transfer of HK\$10,565,000 towards the elimination of the accumulated losses of the Company as at 31 December 1997, of HK\$70,510,000;
  - (b) the credit arising from cancellation of the share premium account of HK\$237,881,000, after a transfer of HK\$180,003,000 towards the elimination of the accumulated losses of the Company as at 31 December 2002, of HK\$57,878,000; and
  - (c) the distribution to shareholders from 2003 to 2010 of HK\$114,869,000.
- (iii) The property revaluation reserve includes an amount of HK\$193,367,000 (2020: HK\$193,367,000) relating to properties previously held as property, plant and equipment and reclassified as investment properties. The remaining balance of HK\$13,567,000 (2020: HK\$13,567,000) represents revaluation surplus arising from certain of the Group's land and building carried at revalued amount prior to 30 September 1995. On the disposal or retirement of the asset, the revaluation reserve will be transferred directly to retained profits.
- (iv) The other reserve of the Group represents the net aggregate of:
  - (a) the difference of HK\$19,238,000 between the fair value of acquisition cost and the attributable additional interest in the carrying amount of net assets acquired in acquisition of additional interests in subsidiaries;
  - (b) the difference of HK\$9,002,000 between the fair value of net assets acquired from a substantial shareholder and consideration paid which was deemed as contribution from a substantial shareholder and credited to equity of the Company; and
  - (c) the difference of HK\$1,520,000 between the fair value of acquisition cost and the attributable additional interest in the carrying amount of net assets acquired in acquisition of additional interests in subsidiaries in 2019.
  - (d) the increase of non-controlling interests of HK\$988,000 upon partial disposal of a subsidiary without loss of control in 2021.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021



|  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>  |                  |                  |
| Profit before tax  | <b>1,109,018</b> | 419,454          |
| Adjustments for:   |                  |                  |
| Net allowance (reversal of allowance) of inventories   | <b>66,266</b>    | (30,678)         |
| (Reversal of impairment losses) impairment losses<br>under expected credit loss model, net   | <b>(420)</b>     | 1,594            |
| Change in fair value of financial assets at fair<br>value through profit or loss             | <b>(54,875)</b>  | (900)            |
| Depreciation of property, plant and equipment  | <b>38,942</b>    | 45,383           |
| Depreciation of right-of-use assets  | <b>7,511</b>     | 14,446           |
| Amortisation of intangible assets  | <b>844</b>       | 1,126            |
| Dividend income from equity investments  | <b>(7,033)</b>   | (1,897)          |
| Finance costs  | <b>34,130</b>    | 49,007           |
| Loss (gain) on disposal of property,<br>plant and equipment, net                             | <b>14</b>        | (787)            |
| Gain on modification of a finance sublease<br>in respect of lease liabilities                | <b>(339)</b>     | (2,760)          |
| Gain on derecognition of right-of-use assets<br>under a finance sublease                     | –                | (918)            |
| Gain on termination of lease arrangements  | –                | (12)             |
| Interest income on bank deposits   | <b>(1,383)</b>   | (1,074)          |
| Interest income on finance leases  | <b>(2,337)</b>   | (4,753)          |
| Changes in fair value of derivative financial instruments                                    | <b>(14,673)</b>  | 13,090           |
| Changes in fair value of investment properties   | <b>40,608</b>    | 32,320           |
| Share of loss (profit) of associates   | <b>16,175</b>    | (9,986)          |
| Share of profit of a joint venture   | <b>(710)</b>     | (296)            |
| Gain on disposal of a subsidiary   | <b>(1,232)</b>   | –                |
| Operating cash flows before movements in working capital                                     | <b>1,230,506</b> | 522,359          |
| Increase in inventories  | <b>(911,676)</b> | (922,094)        |
| (Increase) decrease in trade and other receivables   | <b>(861,279)</b> | 52,729           |
| Decrease in contract assets  | –                | 3,622            |
| Decrease (increase) in trade receivables at fair value through<br>other comprehensive income | <b>283,256</b>   | (695,386)        |
| Increase in amount due from an associate   | <b>(39)</b>      | (29)             |
| Decrease in derivative financial instruments   | –                | 2,169            |
| Increase in financial assets at held for trading   | <b>(43,895)</b>  | (15,806)         |
| Increase in trade and other payables   | <b>421,824</b>   | 1,503,338        |
| Increase in contract liabilities   | <b>318,448</b>   | 5,072            |
| Cash generated from operation  | <b>437,145</b>   | 455,974          |
| Hong Kong Profits Tax paid   | <b>(81,441)</b>  | (116,235)        |
| The People's Republic of China Enterprise Income<br>Tax ("EIT") paid                         | <b>(1,979)</b>   | (1,422)          |
| Taiwan Corporate Income Tax paid   | <b>(5,426)</b>   | (6,272)          |
| <b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>  | <b>348,299</b>   | 332,045          |



# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

|  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|------------------|------------------|
| <b>INVESTING ACTIVITIES</b>  |                  |                  |
| Repayment in finance lease receivables   | 26,057           | 64,227           |
| Release of pledged bank deposits   | 16,784           | 46,245           |
| Dividend received from an associate  | 7,485            | 2,120            |
| Dividend received from equity investments  | 7,033            | 1,897            |
| Interest received on bank deposits   | 1,383            | 1,074            |
| Proceeds on disposal of property, plant and equipment                                      | 21               | 127              |
| Acquisition of additional in interest in an associate                                      | (3,064)          | –                |
| Payment for additions to property, plant and equipment                                     | (10,509)         | (10,502)         |
| Payment for additions to investment properties and investment properties under development | (10,808)         | (4,480)          |
| Placement of pledged bank deposits   | (16,554)         | (25,596)         |
| Acquisition of additional interest in a joint venture                                      | –                | (4,000)          |
| Payment for acquisition of intangible assets   | –                | (10,000)         |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>  | <b>17,828</b>    | 61,112           |
| <b>FINANCING ACTIVITIES</b>  |                  |                  |
| Bank and other borrowings raised   | 38,042,297       | 32,636,062       |
| Proceeds on disposal of equity interest in a subsidiary                                    | 3,758            | –                |
| Repayment of lease liabilities   | (1,117)          | (10,347)         |
| Dividend paid to non-controlling shareholders  | (32,500)         | (31,250)         |
| Interest paid  | (34,130)         | (49,007)         |
| Dividends paid   | (197,139)        | (134,555)        |
| Repayment of bank and other borrowings   | (37,557,274)     | (32,744,826)     |
| Capital contribution by non-controlling interests  | –                | 250              |
| <b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>  | <b>223,895</b>   | (333,673)        |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>590,022</b>   | 59,484           |
| <b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>  | <b>1,166,982</b> | 1,103,211        |
| <b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>   | <b>1,973</b>     | 4,287            |
| <b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash</b>     | <b>1,758,977</b> | 1,166,982        |



## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The ultimate controlling shareholder of the Company is Dr. Yim Yuk Lun, Stanley BBS JP. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 38.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Company.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

|   |  |
|---|--|
| Amendments to HKFRS 16  | Covid-19-Related Rent Concessions        |
| Amendments to HKFRS 9,<br>HKAS 39, HKFRS 7,<br>HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as describe below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

### Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures (“HKFRS 7”).

As at 1 January 2021, the Group has several financial liabilities, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

|                              | HKD             | USD             |
|------------------------------|-----------------|-----------------|
|                              | Hong Kong       | London          |
|                              | Interbank       | Interbank       |
|                              | Offered Rate    | Offered Rate    |
|                              | (“HIBOR”)       | (“LIBOR”)       |
|                              | <i>HK\$’000</i> | <i>HK\$’000</i> |
| <b>Financial liabilities</b> |                 |                 |
| Bank borrowings              | 245,410         | 1,743,552       |

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 35.





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

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

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

|   |  |
|---|--|
| HKFRS 17  | Insurance Contracts and the related Amendments <sup>3</sup>  |
| Amendments to HKFRS 3                               | Reference to the Conceptual Framework <sup>2</sup>   |
| Amendments to HKFRS 10 and HKAS 28                  | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>                               |
| Amendment to HKFRS 16                               | Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>   |
| Amendments to HKAS 1                                | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies <sup>3</sup>   |
| Amendments to HKAS 8                                | Definition of Accounting Estimates <sup>3</sup>  |
| Amendments to HKAS 12                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>                                    |
| Amendments to HKAS 16                               | Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>  |
| Amendments to HKAS 37                               | Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>   |
| Amendments to HKFRSs                                | Annual Improvements to HKFRSs 2018 – 2020 <sup>2</sup>   |

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

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

### **Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies**

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

**Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies** (Continued)

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.



## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

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

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.1 Basis of preparation of consolidated financial statements *(Continued)*

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

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

#### 3.2 Significant accounting policies

The significant accounting policies are set out below.

##### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

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

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

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

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





### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### ***Basis of consolidation*** *(Continued)*

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

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

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

##### ***Change in the Group's interest in existing subsidiary***

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

#### ***Business combination or asset acquisitions***

##### *Asset acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

##### *Business combinations*

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).



### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Business combination or asset acquisitions** *(Continued)*

##### *Business combinations (Continued)*

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### ***Investments in associates and a joint venture***

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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



## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

#### ***Investments in associates and a joint venture*** *(Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

#### ***Revenue from contracts with customers***

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

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

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

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

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

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Revenue from contracts with customers** *(Continued)*

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

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

##### *Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

##### **Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

###### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.





### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Leases**

###### *Definition of a lease*

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

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

##### **The Group as a lessee**

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

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

###### *Short-term leases*

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Leases** *(Continued)*

##### **The Group as a lessee (Continued)**

##### *Right-of-use assets*

The cost of right-of-use asset includes:

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

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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



### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### *Leases (Continued)*

##### **The Group as a lessee (Continued)**

##### *Refundable rental deposits*

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

##### *Lease liabilities*

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### *Leases (Continued)*

##### **The Group as a lessee (Continued)**

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of HKFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the rate used for the head lease is recognised in profit or loss on the date of the modification. If the change does not represent substantial modification, the Group shall continue to recognise the finance lease receivables.

##### **The Group as a lessor**

##### *Classification and measurement of leases*

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

Amounts due from lessees under finance leases and the exercise price of a purchase option which the lessee is reasonably certain to exercise are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs for leases in which the Group is the dealer lessor lessors are recognised in costs of sales at the commencement date of the finance leases. Initial direct costs for other leases are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.



### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### *Leases (Continued)*

##### **The Group as a lessor (Continued)**

##### *Classification and measurement of leases (Continued)*

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

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

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

When a contract includes both leases and non-lease components in relation to business equipment under finance lease arrangements, replacement of consumables and repair and maintenance services, the Group applies HKFRS 15 Revenue from Contract with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

For finance leases in which the Group acts as dealer lessor, the Group recognises:

- (a) Revenue being the fair value of the underlying asset, or, if lower, the present value of the lease payments discounted using a market rate of interest;
- (b) The cost of sale being the cost, or carrying amount if different, of the underlying amount; and
- (c) Selling profit or loss (being difference between revenue and the cost of sale) in accordance with the Group's pricing for outright sales to which HKFRS 15 Revenue from contracts with customers applies.

##### *Refundable rental deposits*

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



### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### *Leases (Continued)*

##### **The Group as a lessor (Continued)**

##### *Sublease*

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease if the interest rate implicit in the sublease cannot be readily determined.

##### *Lease modification*

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

##### (i) Operating leases

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

##### (ii) Finance leases

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of HKFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.



## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

#### *Leases (Continued)*

##### **The Group as a lessor (Continued)**

*Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform*

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments (see accounting policy below).

#### **Foreign currencies**

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

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

##### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

##### **Employee benefits**

###### *Retirement benefit costs*

Payments to defined contribution retirement benefits plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.



### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Employee benefits** *(Continued)*

###### *Termination benefits*

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

###### *Short-term and other long-term employee benefits*

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

##### **Taxation**

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

#### **Taxation** *(Continued)*

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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





### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Taxation** *(Continued)*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

##### **Property, plant and equipment**

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Certain of the Group's leasehold land and buildings were revalued at 31 December 1994. The surplus arising on revaluation of these properties was credited to the property revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 Property, Plant and Equipment from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Property, plant and equipment** *(Continued)*

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

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

##### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under development for such purpose).

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.



### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### ***Investment properties*** *(Continued)*

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

##### ***Intangible assets***

###### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

##### ***Impairment on property, plant and equipment, right-of-use assets and intangible assets***

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

#### ***Impairment on property, plant and equipment, right-of-use assets and intangible assets*** *(Continued)*

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

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

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

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





### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method for electronic products, semiconductors and LED lighting and display products and a weighted average cost method for business equipment. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

##### ***Financial instruments***

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

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

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



### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Financial instruments** *(Continued)*

##### *Financial assets*

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

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

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



### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Financial instruments** *(Continued)*

##### *Financial assets (Continued)*

##### Classification and subsequent measurement of financial assets *(Continued)*

(i) Amortised cost and interest income

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

(ii) Trade receivables classified as at FVTOCI

Subsequent fair value changes in the carrying amounts for trade receivables arising from contracts with customers without a significant financing component classified as at FVTOCI are recognised in other comprehensive income ("OCI") and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these trade receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these trade receivables had been measured at amortised cost. When these trade receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Financial instruments** *(Continued)*

##### *Financial assets (Continued)*

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, trade receivables at FVTOCI, amount due from an associate, pledged bank deposits and bank balances) and other items (finance lease receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, trade receivables at FVTOCI, finance lease receivables and contract assets. The internal credit rating on these assets are assessed individually. Except for those which had been determined as credit impaired under HKFRS 9 the ECL of which are assessed individually, trade receivables, finance lease receivables and contract assets are grouped based on internal credit rating and the ECL on these assets are assessed collectively.

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

(i) Significant increase in credit risk

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



## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 Significant accounting policies (Continued)

#### **Financial instruments** (Continued)

#### *Financial assets* (Continued)

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

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

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

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

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

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



### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Financial instruments** *(Continued)*

##### *Financial assets (Continued)*

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

(i) Significant increase in credit risk *(Continued)*

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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





### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.2 Significant accounting policies (Continued)

##### **Financial instruments (Continued)**

##### *Financial assets (Continued)*

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

The ECL is measured individually for all bank balances, other receivables and amount due from an associate. For trade receivables, finance lease receivables and contract assets, except for those which had been determined as credit impaired under HKFRS 9 the ECL of which are assessed individually, trade receivables, finance lease receivables and contract assets are assessed individually and given an internal credit rating and the ECL on these assets with the same internal credit rating are assessed in collective basis.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 3.2 Significant accounting policies *(Continued)*

#### **Financial instruments** *(Continued)*

##### *Financial assets (Continued)*

*Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)*

#### (v) Measurement and recognition of ECL *(Continued)*

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

Except for trade receivables at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables measured at amortised cost, finance lease receivables and contract assets, where the corresponding adjustment is recognised through a loss allowance account. For trade receivables at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these trade receivables.

#### *Derecognition/modification of financial assets*

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

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

On derecognition of trade receivables FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

#### **Financial liabilities and equity**

##### *Classification as debt or equity*

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



### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 3.2 Significant accounting policies *(Continued)*

##### **Financial liabilities and equity** *(Continued)*

###### *Equity instruments*

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

###### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost, using the effective interest method.

###### *Derecognition of financial liabilities*

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

###### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### **Critical judgements in applying accounting policies**

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

### ***Deferred taxation on investment properties***

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that:

- (i) the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties in Hong Kong, the directors of the Company have determined the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred tax on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties in Hong Kong upon disposal.
- (ii) the Group's investment properties in the People's Republic of China (the "PRC") are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group is subject to income taxes on the rental income of its investment properties in the PRC and deferred taxes are recognised based on the expected future rental income, which is estimated to be the changes in fair value of the investment properties.



## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

*(Continued)*

### **Key sources of estimation uncertainty**

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

### ***Provision of ECL for trade receivables***

The Group assesses the internal credit ratings for the trade receivable individually. Except for those which had been determined as credit impaired under HKFRS 9 the ECL of which is assessed individually, trade receivables are grouped based on internal credit rating with reference to historical default rates and aging of the debtors and the ECL on these assets are assessed in a collective basis. The loss rates are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 35(b) and 20.

### ***Allowance for inventories***

The directors of the Company review the inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis and determine allowance for inventories by reference to net realisable value of the inventories. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Management estimates the net realisable value of inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2021, the carrying values of inventories were HK\$2,654,073,000 (2020: HK\$1,801,012,000) (net of allowance for inventories of approximately HK\$132,155,000 (2020: HK\$65,602,000)).



## 5. REVENUE AND SEGMENT INFORMATION

### Revenue

#### (i) Disaggregation of revenue from contracts with customers

|   | For the year ended<br>31 December |                  |
|---|-----------------------------------|------------------|
|   | 2021<br>HK\$'000                  | 2020<br>HK\$'000 |
| <b>Type of goods or services</b>  |                                   |                  |
| Sales of electronic components and semiconductors   | <b>35,140,829</b>                 | 19,953,290       |
| Sales of home appliances and business equipment and provision of related ancillary services | <b>72,594</b>                     | 94,079           |
| Contract works of LED lighting and display products   | <b>32,822</b>                     | 52,781           |
| Sales of LED lighting and display products  | <b>25,030</b>                     | 45,939           |
| Revenue from contracts with customers   | <b>35,271,275</b>                 | 20,146,089       |
| <u>Income from leasing activities</u>   |                                   |                  |
| For operating leases – lease payments that are fixed:                                       |                                   |                  |
| – Rental income from investment properties  | <b>24,185</b>                     | 17,689           |
| – Rental income from LED lighting and display products                                      | <b>2,318</b>                      | 563              |
|   | <b>26,503</b>                     | 18,252           |
| <b>Total revenue</b>  | <b>35,297,778</b>                 | 20,164,341       |



## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue (Continued)

#### (i) Disaggregation of revenue from contracts with customers (Continued)

|  | For the year ended 31 December 2021                          |   |  |   |                   |
|--|--|---|--|---|-------------------|
|  | Sales of electronic components and semiconductor<br>HK\$'000 | Sales of home appliances and business equipment and provision of related ancillary services<br>HK\$'000 | Sales of LED lighting and display products<br>HK\$'000 | Contract works of LED lighting and display products<br>HK\$'000 | Total<br>HK\$'000 |
| <b>Geographical markets</b>                          |  |   |  |   |                   |
| Hong Kong  | 26,233,531   | 70,692  | 6,362  | 23,911  | 26,334,496        |
| Mainland China                                       | 6,958,452  | –   | 17,381   | –   | 6,975,833         |
| Taiwan   | 1,020,617  | –   | 45   | –   | 1,020,662         |
| Singapore  | 286,206  | –   | 359  | –   | 286,565           |
| United States of America                             | 283,813  | –   | –  | –   | 283,813           |
| Vietnam  | 143,888  | 39  | –  | –   | 143,927           |
| Macao Special Administrative Region of the PRC       | 119,526  | 1,759   | 379  | 8,911   | 130,575           |
| India  | 11,528   | –   | –  | –   | 11,528            |
| Others   | 83,268   | 104   | 504  | –   | 83,876            |
|  | <b>35,140,829</b>  | <b>72,594</b>   | <b>25,030</b>  | <b>32,822</b>   | <b>35,271,275</b> |
| <b>Revenue from contracts with customers</b>         |  |   |  |   |                   |
| Rental income from investment properties             |  |   |  |   | 24,185            |
| Rental income from LED lighting and display products |  |   |  |   | 2,318             |
| Total revenue  |  |   |  |   | <b>35,297,778</b> |

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue (Continued)

#### (i) Disaggregation of revenue from contracts with customers (Continued)

|  | For the year ended 31 December 2020              |   |  |   |            |
|--|--|---|--|---|------------|
|  | Sales of electronic components and semiconductor | Sales of home appliances and business equipment and provision of related ancillary services | Sales of LED lighting and display products | Contract works of LED lighting and display products | Total      |
|  | HK\$'000   | HK\$'000  | HK\$'000                                   | HK\$'000  | HK\$'000   |
| <b>Geographical markets</b>                          |  |   |  |   |            |
| Hong Kong  | 13,185,052                                       | 90,793  | 20,774                                     | 44,031  | 13,340,650 |
| Mainland China                                       | 5,725,766  | 42  | 10,962                                     | –   | 5,736,770  |
| Taiwan   | 366,644  | –   | 120  | –   | 366,764    |
| United States of America                             | 309,709  | –   | –  | –   | 309,709    |
| Singapore  | 146,092  | –   | 7,408                                      | –   | 153,500    |
| Vietnam  | 164,414  | –   | 435  | –   | 164,849    |
| India  | 19,867   | –   | –  | –   | 19,867     |
| Macao Special Administrative Region of the PRC       | 823  | 3,190   | 880  | 8,633   | 13,526     |
| Others   | 34,923   | 54  | 5,360                                      | 117   | 40,454     |
|  | 19,953,290                                       | 94,079  | 45,939                                     | 52,781  | 20,146,089 |
| <b>Revenue from contracts with customers</b>         |  |   |  |   |            |
| Rental income from investment properties             |  |   |  |   | 17,689     |
| Rental income from LED lighting and display products |  |   |  |   | 563        |
| Total revenue  |  |   |  |   | 20,164,341 |



## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue (Continued)

#### (i) Disaggregation of revenue from contracts with customers (Continued)

|  | For the year ended<br>31 December |                   |
|--|-----------------------------------|-------------------|
|  | 2021<br>HK\$'000                  | 2020<br>HK\$'000  |
| <b>Timing of revenue recognition</b>                 |                                   |                   |
| A point in time                                      | 35,232,603                        | 20,087,615        |
| Overtime (Note)                                      | 38,672                            | 58,474            |
| Revenue from contracts with customers                | 35,271,275                        | 20,146,089        |
| Rental income from investment properties             | 24,185                            | 17,689            |
| Rental income from LED lighting and display products | 2,318                             | 563               |
| <b>Total revenue</b>                                 | <b>35,297,778</b>                 | <b>20,164,341</b> |

Note: The amounts include repair and maintenance services to business equipment and contract works of LED lighting and display products.

#### (ii) Performance obligations for contracts with customers

*Sales of electronic components and semiconductors and LED lighting and display products (revenue recognised at a point in time)*

Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location (delivery). The normal credit term is 30 to 120 days upon delivery.

Under the Group's standard contract terms, customers have a right to exchange defective products for similar products within 7 days.

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Revenue *(Continued)*

#### **(ii) Performance obligations for contracts with customers *(Continued)***

##### *Sales of home appliances and business equipment and related ancillary services*

For sales of home appliances and business equipment, revenue is recognised at a point in time when control of the goods has transferred, being when the goods have been delivered to the customers' specific location (delivery). The normal credit term is 7 to 30 days upon delivery.

Under the Group's standard contract terms, customers have a right to exchange defective products for similar products within 7 days.

Sales-related warranties associated with home appliances and business equipment cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its previous accounting treatment.

For related ancillary services, the Group provides repair and maintenance services over the contract period, in which the revenue is recognised when the customer simultaneously received the services and consumed the benefits using output method, i.e. to recognise revenue using a time-based method over the period of service resulting in straight-line revenue recognition. The Group normally bills monthly to the customers and the customers are required to settle the bills before commencement of the contract period.

Certain sales of business equipment is under finance lease arrangements in which the contracts contain three performance obligations including sales of business equipment, replacement of consumables and repair and maintenance services. Under these arrangements, the Group acts as dealer lessors and corresponding revenue of the sales of business equipment is recognised at a point in time at the commencement date of the finance leases and is measured at the present value of the lease payments discounted using a market rate of interest. During the lease terms, the Group provides ancillary services to customers including replacement of consumables and repair and maintenance services. Under these finance lease arrangements, the Group receives monthly fixed lease payments and allocates the transaction prices to each performance obligation of sales of business equipment, replacement of consumables and repair and maintenance services on a relative stand-alone selling price basis.





## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue (Continued)

#### (ii) Performance obligations for contracts with customers (Continued)

##### *Contract works of LED lighting and display products (revenue recognised over time)*

The Group provides construction of LED lighting and display products services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion to date by using output method.

The payment of the Group's construction contracts is based on the stage of completion certified by qualified surveyors or estimated by the Group's project managers. In some circumstances, the Group would require for down payments from customers.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from 12 months to 18 months from the date of the practical completion of the construction.

#### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All the revenue from contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the relevant transaction price allocated to these unsatisfied contracts is not disclosed.

### Segment information

The Group is engaged in the distribution of electronic components and semiconductor products that can be used in mobile phone products, consumer electronic products, computer and networking products, telecommunication products, sales of LED lighting and display products, distribution of home appliances and business equipment and provision of related ancillary services, contract works of LED lighting and display products and properties investments.

Information reported to chairman and managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

### Geographical information

The Group's operations are located in different places of domicile, including the Mainland China, Hong Kong and Taiwan.

**5. REVENUE AND SEGMENT INFORMATION** (Continued)**Segment information** (Continued)**Geographical information** (Continued)

The following is an analysis of the Group's revenue by the geographical locations of customers based on billing address of products or services, or location of properties or products for rental income for the year:

|  | Sales revenue by geographical market |                   |
|--|--------------------------------------|-------------------|
|  | 2021<br>HK\$'000                     | 2020<br>HK\$'000  |
| Hong Kong                                      | 26,347,932                           | 13,351,375        |
| Mainland China                                 | 6,988,900                            | 5,744,297         |
| Taiwan   | 1,020,662                            | 366,764           |
| Singapore                                      | 286,565                              | 153,500           |
| United States of America                       | 283,813                              | 309,709           |
| Vietnam  | 143,927                              | 164,849           |
| Macao Special Administrative Region of the PRC | 130,575                              | 13,526            |
| India  | 11,528                               | 19,867            |
| Others   | 83,876                               | 40,454            |
|  | <b>35,297,778</b>                    | <b>20,164,341</b> |

The following is an analysis of the carrying amount of non-current assets excluding financial assets at FVTPL, finance lease receivables and deferred tax assets by geographical area in which the assets are located:

|                | Carrying amount of non-current assets |                  |
|----------------|---------------------------------------|------------------|
|                | 2021<br>HK\$'000                      | 2020<br>HK\$'000 |
| Hong Kong      | 977,432                               | 1,030,134        |
| Mainland China | 481,431                               | 507,367          |
| Taiwan         | 14,929                                | 13,927           |
| Others         | 929                                   | 929              |
|                | <b>1,474,721</b>                      | <b>1,552,357</b> |



## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment information (Continued)

#### Information about major customers

Revenue from a customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

|            | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | <b>14,519,001</b>       | 10,114,638              |

## 6. FINANCE COSTS

|                       | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|-----------------------|-------------------------|-------------------------|
| Interest expenses on: |                         |                         |
| Bank borrowings       | <b>32,000</b>           | 44,415                  |
| Lease liabilities     | <b>31</b>               | 158                     |
| Other borrowings      | <b>2,099</b>            | 4,434                   |
|                       | <b>34,130</b>           | 49,007                  |

## 7. INCOME TAX EXPENSE

|                                | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| The charge comprises:          |                  |                  |
| Hong Kong Profits Tax          |                  |                  |
| – current year                 | 186,154          | 68,595           |
| – overprovision in prior years | (509)            | (1,349)          |
| PRC EIT                        |                  |                  |
| – current year                 | 1,511            | 1,132            |
| – underprovision in prior year | –                | 282              |
| Taiwan corporate income tax    |                  |                  |
| – current year                 | 8,576            | 6,555            |
| – overprovision in prior years | (1,227)          | (1,037)          |
|                                | <b>194,505</b>   | 74,178           |
| Deferred tax credit (note 30)  | <b>(10,621)</b>  | (4,607)          |
|                                | <b>183,884</b>   | 69,571           |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered Profits Tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of EIT (the “EIT Law”) and Implementation Regulation of the EIT Law in the PRC, the applicable tax rate of the PRC subsidiaries is 25% for both years.

Corporate income tax in Taiwan is charged at 20% for both years.



## 7. INCOME TAX EXPENSE (Continued)

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

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before tax  | <b>1,109,018</b>        | 419,454                 |
| Tax at Hong Kong Profits Tax rate of 16.5%   | <b>182,988</b>          | 69,210                  |
| Tax effect of expenses not deductible for tax purpose                                | <b>3,895</b>            | 8,626                   |
| Tax effect of income not taxable for tax purpose                                     | <b>(4,082)</b>          | (5,312)                 |
| Overprovision in prior years   | <b>(1,736)</b>          | (2,104)                 |
| Tax effect of share of loss (profit) of associates                                   | <b>2,669</b>            | (1,648)                 |
| Tax effect of share of profit of a joint venture                                     | <b>(117)</b>            | (49)                    |
| Tax effect of tax losses/deductible temporary differences not recognised             | <b>5,543</b>            | 6,498                   |
| Utilisation of tax losses/deductible temporary differences previously not recognised | <b>(6,383)</b>          | (6,792)                 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions       | <b>1,107</b>            | 1,142                   |
| Tax charge for the year  | <b>183,884</b>          | 69,571                  |



## 8. PROFIT FOR THE YEAR/OTHER INCOME/OTHER GAINS AND LOSSES

### (a) Profit for the year

|  | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|--|-------------------|------------------|
| Profit for the year has been arrived at after charging (crediting):  |                   |                  |
| Staff costs, including directors' and chief executives' remuneration (note 9)  |                   |                  |
| – salaries and other benefits (note i)   | 113,904           | 98,021           |
| – performance related incentive payments (note ii)   | 77,638            | 26,289           |
| – retirement benefits scheme contributions   | 13,035            | 8,465            |
|  | <b>204,577</b>    | 132,775          |
| Auditor's remuneration   | 2,434             | 2,232            |
| Depreciation of property, plant and equipment  | 38,942            | 45,383           |
| Depreciation of right-of-use assets  | 7,511             | 14,446           |
| Amortisation of intangible assets (included in administrative expenses)  | 844               | 1,126            |
| Cost of inventories recognised as an expense (including net allowance for inventories of HK\$66,266,000 (2020: net reversal for allowance of HK\$30,678,000)) (note iii) | <b>33,694,550</b> | 19,280,375       |

#### Notes:

- (i) During the year ended 31 December 2020, government grants of HK\$12,633,000 according to the Employment Support Scheme launched by The Government of the Hong Kong Special Administrative Region was received and offset against the related staff costs.
- (ii) Performance related incentive payments were determined with reference to the Group's operating results and individual performance.
- (iii) During the year ended 31 December 2021, a reversal of allowance for inventories, of HK\$3,082,000 (2020: HK\$72,036,000) was recognised in profit or loss as those inventories were sold at selling prices higher than their carrying amounts (net of allowance made in prior years)


**8. PROFIT FOR THE YEAR/OTHER INCOME/OTHER GAINS AND LOSSES** *(Continued)*
**(b) Other income**

|   | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Dividend income from equity investments | <b>7,033</b>                   | 1,897                   |
| Interest income on finance leases       | <b>2,337</b>                   | 4,753                   |
| Interest income on bank deposits        | <b>1,383</b>                   | 1,074                   |
| Others                                  | <b>12,304</b>                  | 8,986                   |
|   | <b>23,057</b>                  | 16,710                  |

**(c) Other gains and losses, net**

|   | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Change in fair value of financial assets at FVTPL                             | <b>54,875</b>                  | 900                     |
| Change in fair value of derivative financial instruments                      | <b>14,673</b>                  | (13,090)                |
| Net foreign exchange gains  | <b>4,772</b>                   | 902                     |
| Gain on disposal of a subsidiary  | <b>1,232</b>                   | –                       |
| Gain on modification of a finance sublease<br>in respect of lease liabilities | <b>339</b>                     | 2,760                   |
| Gain on disposal of right-of-use assets<br>under a finance sublease           | –                              | 918                     |
| Gain on termination of lease arrangements                                     | –                              | 12                      |
| (Loss) gain on disposal of property,<br>plant and equipment, net              | <b>(14)</b>                    | 787                     |
|   | <b>75,877</b>                  | (6,811)                 |

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

### 2021

|   | Executive Directors                                  |                                      |                                  |                             |   | Independent Non-Executive Directors     |  |                                   |                             | Total<br>HK\$'000 |
|---|--|--------------------------------------|----------------------------------|-----------------------------|---|---|--|-----------------------------------|-----------------------------|-------------------|
|   | Dr. Yim<br>Yuk Lun,<br>Stanley<br>BBS JP<br>HK\$'000 | Yim<br>Tsz Kit,<br>Jacky<br>HK\$'000 | Wong<br>Sui<br>Chuen<br>HK\$'000 | Wong<br>Wai Tai<br>HK\$'000 | Tsui<br>Chi Wing<br>HK\$'000<br>(note ii) | Wong<br>Tak Yuen,<br>Adrian<br>HK\$'000 | Liu Chun<br>Ning,<br>Wilfred<br>HK\$'000 | Cheung<br>Chi<br>Kwan<br>HK\$'000 | Wong<br>Wai Kin<br>HK\$'000 |                   |
| Fees  | -  | -                                    | -                                | -                           | -   | 100                                     | -  | 150                               | 100                         | 350               |
| Other emoluments                                      |  |                                      |                                  |                             |   |   |  |                                   |                             |                   |
| Salaries and other benefits                           | 4,560  | 1,500                                | 1,081                            | 1,800                       | 1,111                                     | -                                       | -  | -                                 | -                           | 10,052            |
| Retirement benefits<br>scheme contributions           | 228  | 18                                   | 5                                | 18                          | 29  | -                                       | -  | -                                 | -                           | 298               |
| Performance related<br>incentive payments<br>(note i) | 35,000   | 250                                  | 450                              | 750                         | 77  | -                                       | -  | -                                 | -                           | 36,527            |
| <b>Total emoluments</b>                               | <b>39,788</b>  | <b>1,768</b>                         | <b>1,536</b>                     | <b>2,568</b>                | <b>1,217</b>                              | <b>100</b>                              | <b>-</b>                                 | <b>150</b>                        | <b>100</b>                  | <b>47,227</b>     |

### 2020

|   | Executive Directors                                  |                                      |                                  |                             | Independent Non-Executive Directors     |  |                                   |                             | Total<br>HK\$'000 |
|---|--|--------------------------------------|----------------------------------|-----------------------------|---|--|-----------------------------------|-----------------------------|-------------------|
|   | Dr. Yim<br>Yuk Lun,<br>Stanley<br>BBS JP<br>HK\$'000 | Yim<br>Tsz Kit,<br>Jacky<br>HK\$'000 | Wong<br>Sui<br>Chuen<br>HK\$'000 | Wong<br>Wai Tai<br>HK\$'000 | Wong<br>Tak Yuen,<br>Adrian<br>HK\$'000 | Liu Chun<br>Ning,<br>Wilfred<br>HK\$'000 | Cheung<br>Chi<br>Kwan<br>HK\$'000 | Wong<br>Wai Kin<br>HK\$'000 |                   |
| Fees  | -  | -                                    | -                                | -                           | 100                                     | -  | 150                               | 100                         | 350               |
| Other emoluments                                      |  |                                      |                                  |                             |   |  |                                   |                             |                   |
| Salaries and other<br>benefits                        | 4,580  | 1,465                                | 1,068                            | 1,686                       | -                                       | -  | -                                 | -                           | 8,799             |
| Retirement benefits<br>scheme contributions           | 229  | 18                                   | 7                                | 18                          | -                                       | -  | -                                 | -                           | 272               |
| Performance related<br>incentive payments<br>(note i) | 13,000   | -                                    | 360                              | 600                         | -                                       | -  | -                                 | -                           | 13,960            |
| <b>Total emoluments</b>                               | <b>17,809</b>  | <b>1,483</b>                         | <b>1,435</b>                     | <b>2,304</b>                | <b>100</b>                              | <b>-</b>                                 | <b>150</b>                        | <b>100</b>                  | <b>23,381</b>     |



## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

Notes:

- (i) Performance related incentive payments were determined with reference to the Group's operating results and individual performance.
- (ii) Mr. Tsui Chi Wing was appointed as an executive director on 1 January 2021.

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

Dr. Yim Yuk Lun, Stanley *BBS JP* is also the Chief Executive Officer of the Company and his emoluments disclosed above included those for services rendered by him as Chief Executive Officer.

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. Mr. Liu Chun Ning, Wilfred suspended his fee voluntarily with effect from August 2001. Mr. Liu had not drawn any remuneration since then and for the years ended 31 December 2021 and 2020. During the years ended 31 December 2021 and 2020, no other directors waived or agreed to waive any emoluments.

**10. EMPLOYEES' REMUNERATIONS**

Of the five highest paid individuals in the Group, three (2020: three) were directors of the Company whose remunerations are set out in note 9 above. The remuneration of two (2020: two) individuals is as follows:

|   | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Salaries and other benefits                   | <b>2,866</b>                   | 2,667                   |
| Performance related incentive payments (note) | <b>25,450</b>                  | 360                     |
| Retirement benefits scheme contributions      | <b>169</b>                     | 80                      |
|   | <b>28,485</b>                  | 3,107                   |

*Note:* Performance related incentive payments were determined with reference to the Group's operating results and individual performance.

Their remunerations were within the following band:

|                                  | <b>2021</b><br><b>No. of</b><br><b>employees</b> | 2020<br>No. of<br>employees |
|----------------------------------|--|-----------------------------|
| HK\$26,000,000 to HK\$27,000,000 | <b>1</b>   | –                           |
| HK\$1,000,001 to HK\$2,000,000   | <b>1</b>   | 2                           |

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group.





## 11. DIVIDENDS

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Dividends recognised as distribution during the year:   |                         |                         |
| 2021 interim dividend of HK15.0 cents<br>(2020: 2020 interim dividend of HK4.5 cents) per share | <b>93,876</b>           | 28,163                  |
| 2020 final dividend of HK16.5 cents<br>(2020: 2019 final dividend of HK17.0 cents) per share    | <b>103,263</b>          | 106,392                 |
|   | <b>197,139</b>          | 134,555                 |

Subsequent to the end of the reporting period, a final dividend of HK30.0 cents per share in respect of the year ended 31 December 2021 (2020: final dividend of HK16.5 cents per share in respect of the year ended 31 December 2020) has been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

## 12. BASIC EARNINGS PER SHARE

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

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Earnings:   |                         |                         |
| Profit for the year attributable to owners of the Company,<br>for the purpose of basic earnings per share | <b>713,191</b>          | 261,897                 |
|   | <b>2021<br/>'000</b>    | 2020<br>'000            |
| Number of shares:   |                         |                         |
| Number of ordinary shares for the purpose of basic<br>earnings per share                                  | <b>625,837</b>          | 625,837                 |

No diluted earnings per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

## 13. INVESTMENT PROPERTIES

|   | <b>Completed<br/>investment<br/>properties</b><br><i>HK\$'000</i> |
|---|---|
| <b>FAIR VALUE</b>   |   |
| At 1 January 2020   | 733,900   |
| Additions   | 4,480   |
| Transfer from property, plant and equipment ( <i>note</i> ) | 96,200  |
| Decrease in fair value recognised in profit or loss         | (32,320)  |
| Exchange realignment  | 30,480  |
| At 31 December 2020   | <b>832,740</b>  |
| Additions   | <b>10,808</b>   |
| Decrease in fair value recognised in profit or loss         | <b>(40,608)</b>   |
| Exchange realignment  | <b>7,360</b>  |
| At 31 December 2021   | <b>810,300</b>  |

*Note:* During the year ended 31 December 2020, industrial properties and commercial properties with fair values of HK\$96,200,000 were transferred from property, plant and equipment to investment properties upon the commencement of the related leasing arrangements due to change in management intention for generating rental income and for capital appreciation. The difference between the carrying value and the fair value at the date of transfer of HK\$65,720,000 had been recognised in the other comprehensive income and accumulated in equity under the heading of property revaluation reserve.

The Group leases out various offices and warehouses in Hong Kong and the PRC under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 to 5 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee or lessee's option to purchase the property.

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

The fair values of the Group's investment properties as at 31 December 2021 and 2020 and as at the date of transfer from property, plant and equipment during the year ended 31 December 2020 have been arrived at on the basis of a valuation carried out by B.I. Appraisals Limited ("B.I."), an independent qualified professional valuer not connected to the Group. B.I. is a member of the Institute of Valuers. In respect of the completed investment properties as at 31 December 2021 and 2020 and the investment properties transferred from/to property, plant and equipment as at the date of transfer, the valuation assessed by B.I. was arrived at using the results calculated by the income capitalisation method by capitalising the rental income derived from leasing out the properties with due provision for the reversionary income potential.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.



## 13. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2021 and 2020 are as follows:

| Category                               | Fair value hierarchy | Fair value             |                        | Unrealised (loss) gain on property revaluation included in profit or loss for the year ended |                        | Valuation techniques         | Key unobservable inputs | Range (weighted average)  | Relationship of unobservable inputs to fair value           |
|--|----------------------|------------------------|------------------------|--|------------------------|------------------------------|-------------------------|---|---|
|  |                      | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 | 31.12.2021<br>HK\$'000   | 31.12.2020<br>HK\$'000 |                              |                         |   |   |
| <b>Completed investment properties</b> |                      |                        |                        |  |                        |                              |                         |   |   |
| Commercial properties in Hong Kong     | Level 3              | 320,300                | 321,500                | (7,685)  | (12,500)               | Income capitalisation method | Reversionary rate       | 2.9% – 4.4%<br>(2020: 1.4% – 4.5%)  | The higher the reversionary yield, the lower the fair value |
|  |                      |                        |                        |  |                        |                              | Market rent             | HK\$13 – HK\$45 per square feet per month (2020: HK\$15 – HK\$40 per square feet per month)   | The higher the market rent, the higher the fair value       |
| Commercial properties in the PRC       | Level 3              | 164,400                | 177,000                | (15,600)   | (15,340)               | Income capitalisation method | Reversionary rate       | 2.4% – 4.4%<br>(2020: 3.1% – 4.8%)  | The higher the reversionary yield, the lower the fair value |
|  |                      |                        |                        |  |                        |                              | Market rent             | RMB144 – RMB180 per square meter per month (2020: RMB178 – RMB200 per square meter per month) | The higher the market rent, the higher the fair value       |
| Industrial properties in Hong Kong     | Level 3              | 82,000                 | 77,000                 | 5,000  | –                      | Income capitalisation method | Reversionary rate       | 3.0% – 3.6%<br>(2020: 3.6% – 5.1%)  | The higher the reversionary yield, the lower the fair value |
|  |                      |                        |                        |  |                        |                              | Market rent             | HK\$14 – HK\$16 per square feet per month (2020: HK\$15 – HK\$17)                             | The higher the market rent, the higher the fair value       |
| Industrial properties in the PRC       | Level 3              | 243,600                | 257,240                | (22,323)   | (4,480)                | Income capitalisation method | Reversionary rate       | 4.2% – 5.9% (2020: 3.6% – 5.5%)   | The higher the reversionary yield, the lower the fair value |
|  |                      |                        |                        |  |                        |                              | Market rent             | RMB21 – RMB23 per square meter per month (2020: RMB21 – RMB25 per square meter per month)     | The higher the market rent, the higher the fair value       |
|  |                      | <b>810,300</b>         | <b>832,740</b>         | <b>(40,608)</b>  | <b>(32,320)</b>        |                              |                         |   |   |

There were no transfers into or out of Level 3 during the years ended 31 December 2021 and 2020.

## 14. PROPERTY, PLANT AND EQUIPMENT

|   | Leasehold<br>land and<br>buildings<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Machinery<br>HK\$'000 | Furniture<br>and<br>fixtures<br>HK\$'000 | Office<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>and vessels<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|---------------------------------------|-----------------------|--|---------------------------------|--|-------------------|
| <b>COST OR VALUATION</b>                    |  |                                       |                       |  |                                 |  |                   |
| At 1 January 2020                           | 400,240  | 50,682                                | 7,453                 | 64,554                                   | 81,414                          | 85,787                                       | 690,130           |
| Exchange realignment                        | 2,409  | 402                                   | -                     | 79                                       | 171                             | 108  | 3,169             |
| Additions                                   | -  | 7,420                                 | 173                   | 1,004                                    | 735                             | 1,170  | 10,502            |
| Disposals                                   | -  | (950)                                 | -                     | (391)                                    | (309)                           | (489)  | (2,139)           |
| Written off                                 | -  | (4,364)                               | (3)                   | (8,959)                                  | (16,550)                        | (1,709)                                      | (31,585)          |
| Transfer to investment properties           | (34,859)                                       | -                                     | -                     | -  | -                               | -  | (34,859)          |
| Derecognition (Note)                        | -  | -                                     | (1,427)               | -  | -                               | -  | (1,427)           |
| At 31 December 2020                         | 367,790  | 53,190                                | 6,196                 | 56,287                                   | 65,461                          | 84,867                                       | 633,791           |
| Exchange realignment                        | 1,160  | 113                                   | -                     | 30                                       | 106                             | 67   | 1,476             |
| Additions                                   | -  | 1,068                                 | -                     | 1,615                                    | 6,143                           | 1,683  | 10,509            |
| Disposals                                   | -  | -                                     | -                     | -  | -                               | (344)  | (344)             |
| Written off                                 | -  | -                                     | (3)                   | (138)                                    | (2,103)                         | -  | (2,244)           |
| Derecognition (Note)                        | -  | -                                     | (1,312)               | -  | -                               | -  | (1,312)           |
| At 31 December 2021                         | 368,950  | 54,371                                | 4,881                 | 57,794                                   | 69,607                          | 86,273                                       | 641,876           |
| Comprising:                                 |  |                                       |                       |  |                                 |  |                   |
| At cost                                     | 323,600  | 54,371                                | 4,881                 | 57,794                                   | 69,607                          | 86,273                                       | 596,526           |
| At valuation – 1994                         | 45,350   | -                                     | -                     | -  | -                               | -  | 45,350            |
|   | 368,950  | 54,371                                | 4,881                 | 57,794                                   | 69,607                          | 86,273                                       | 641,876           |
| <b>DEPRECIATION</b>                         |  |                                       |                       |  |                                 |  |                   |
| At 1 January 2020                           | 50,816   | 24,489                                | 2,231                 | 43,443                                   | 38,503                          | 29,913                                       | 189,395           |
| Exchange realignment                        | 387  | 386                                   | -                     | 63                                       | 108                             | 48   | 992               |
| Provided for the year                       | 16,595   | 8,546                                 | 1,130                 | 4,999                                    | 5,167                           | 8,946  | 45,383            |
| Eliminated on disposals                     | -  | (895)                                 | -                     | (204)                                    | (222)                           | (440)  | (1,761)           |
| Written off                                 | -  | (4,364)                               | (3)                   | (8,959)                                  | (16,550)                        | (1,709)                                      | (31,585)          |
| Transfer to investment properties (note 13) | (4,379)  | -                                     | -                     | -  | -                               | -  | (4,379)           |
| Eliminated on derecognition (Note)          | -  | -                                     | (462)                 | -  | -                               | -  | (462)             |
| At 31 December 2020                         | 63,419   | 28,162                                | 2,896                 | 39,342                                   | 27,006                          | 36,758                                       | 197,583           |
| Exchange realignment                        | 117  | 111                                   | -                     | 17                                       | 44                              | 29   | 318               |
| Provided for the year                       | 10,800   | 8,500                                 | 897                   | 4,903                                    | 5,312                           | 8,530  | 38,942            |
| Eliminated on disposals                     | -  | -                                     | -                     | -  | -                               | (309)  | (309)             |
| Written off                                 | -  | -                                     | (3)                   | (138)                                    | (2,103)                         | -  | (2,244)           |
| Eliminated on derecognition (Note)          | -  | -                                     | (622)                 | -  | -                               | -  | (622)             |
| At 31 December 2021                         | 74,336   | 36,773                                | 3,168                 | 44,124                                   | 30,259                          | 45,008                                       | 233,668           |
| <b>CARRYING VALUES</b>                      |  |                                       |                       |  |                                 |  |                   |
| At 31 December 2021                         | 294,614  | 17,598                                | 1,713                 | 13,670                                   | 39,348                          | 41,265                                       | 408,208           |
| At 31 December 2020                         | 304,371  | 25,028                                | 3,300                 | 16,945                                   | 38,455                          | 48,109                                       | 436,208           |

Note: During the year ended 31 December 2021 and 2020, LED advertising billboards were leased out under finance lease arrangements and the related machinery was derecognised.



#### 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

|                              |   |
|------------------------------|---|
| Leasehold land and buildings | 2% or over the term of the relevant lease, whichever is shorter |
| Leasehold improvements       | Over the term of the relevant lease                             |
| Motor vehicles and vessels   | 10% – 20%   |
| Others                       | 4% – 20%  |

Certain owner-occupied leasehold land is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably for some of the properties. For the properties which allocation between the land and buildings elements could be made reliably, the leasehold land element is presented as right-of-use assets.

#### 15. INTANGIBLE ASSETS

|                              | Club<br>memberships<br><i>HK\$'000</i> | Customer<br>relationship<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|------------------------------|--|---|--------------------------|
|                              | (Note)                                 |   |                          |
| COST                         |  |   |                          |
| At 1 January 2020            | 4,477                                  | 5,628                                       | 10,105                   |
| Addition                     | 10,000                                 | –   | 10,000                   |
| At 31 December 2020 and 2021 | 14,477                                 | 5,628                                       | 20,105                   |
| AMORTISATION                 |  |   |                          |
| At 1 January 2020            | –                                      | 3,658                                       | 3,658                    |
| Provided for the year        | –                                      | 1,126                                       | 1,126                    |
| At 31 December 2020          | –                                      | 4,784                                       | 4,784                    |
| Provided for the year        | –                                      | 844   | 844                      |
| At 31 December 2021          | –                                      | 5,628                                       | 5,628                    |
| CARRYING VALUES              |  |   |                          |
| At 31 December 2021          | 14,477                                 | –   | 14,477                   |
| At 31 December 2020          | 14,477                                 | 844   | 15,321                   |

The customer relationship is amortised over its estimated useful lives, using the straight-line method, at the rate of 20% per annum.

Note: As at 31 December 2021 and 2020, the club memberships have indefinite useful lives were tested for impairment by comparing their carrying amounts with their recoverable amounts. The directors of the Company determined that no impairment loss was necessary and were of the opinion that the club memberships are worth at least their carrying amounts.



## 16. RIGHT-OF-USE ASSETS

|  | Leasehold<br>land<br><i>HK\$'000</i> | Leased<br>properties<br><i>HK\$'000</i> | Advertising<br>billboard<br><i>HK\$'000</i> | Office<br>equipment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--------------------------------------|---|---|--|--------------------------|
| <b>As at 31 December 2021</b>              |                                      |   |   |  |                          |
| Carrying amount                            | 177,544                              | 663                                     | –   | –                                      | 178,207                  |
| <b>As at 31 December 2020</b>              |                                      |   |   |  |                          |
| Carrying amount                            | 184,506                              | 782                                     | –   | –                                      | 185,288                  |
| <b>For the year ended 31 December 2021</b> |                                      |   |   |  |                          |
| Depreciation charge                        | 6,963                                | 548                                     | –   | –                                      | 7,511                    |
| <b>For the year ended 31 December 2020</b> |                                      |   |   |  |                          |
| Depreciation charge                        | 9,922                                | 3,643                                   | 840   | 41                                     | 14,446                   |
|  |                                      |   | <b>31.12.2021</b>                           |  | 31.12.2020               |
|  |                                      |   | <b><i>HK\$'000</i></b>                      |  | <i>HK\$'000</i>          |
| Expense relating to short-term leases      |                                      |   | <b>893</b>                                  |  | 1,382                    |
| Total cash outflow for leases              |                                      |   | <b>2,058</b>                                |  | 11,887                   |
| Additions to right-of-use assets           |                                      |   | <b>425</b>                                  |  | 719                      |
| Termination of lease arrangement           |                                      |   | –   |  | (428)                    |

For the years ended 31 December 2021 and 2020, the Group leases various offices, warehouses, office equipment and advertising billboard for its operations. Lease contracts are entered into for fixed term of 1 year to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns an office building. The Group is the registered owner of the property interest, including the underlying leasehold land. Lump sum payments were made upfront to acquire the property interest. The leasehold land components of the owned property is presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for office equipment. As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed is HK\$893,000 (2020: HK\$1,382,000) during the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021



## 17. INTERESTS IN ASSOCIATES

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Cost of investments in associates  |                         |                         |
| – Listed investments in Hong Kong  | 71,277                  | 68,213                  |
| – Unlisted investments   | –                       | 18,723                  |
|  | <b>71,277</b>           | 86,936                  |
| Share of post-acquisition profits (losses) and other comprehensive income (expense), net of dividends received | <b>(3,048)</b>          | 1,420                   |
| Impairment loss  | <b>(16,271)</b>         | (16,271)                |
|  | <b>51,958</b>           | 72,085                  |
| Fair value of listed investments,<br>Hi-Level Technology Holdings Limited (“Hi-Level Holdings”)                | <b>77,938</b>           | 74,187                  |

As at 31 December 2021 and 2020, the Group had interests in the following associates:

| Name of associate                          | Form of business structure | Place of incorporation/ establishment/ operations | Class of shares held | Proportion of issued share/ registered capital held by the Group |                 | Principal activities  |
|--|----------------------------|---|----------------------|--|-----------------|---|
|  |                            |   |                      | 31.12.2021<br>%  | 31.12.2020<br>% |   |
| Hi-Level Holdings                          | Incorporated               | Cayman Islands                                    | Ordinary             | 33.6   | 32.5            | Distribution of electronic products with provision of independent design house services |
| Reachfull Investment Limited (“Reachfull”) | Incorporated               | British Virgin Islands                            | Ordinary             | N/A<br>(note)  | 6<br>(note)     | Inactive  |

*Note:* The Group is able to exercise significant influence over the major financing and operating decisions of Reachfull as the Group has one board seat in the board of directors of Reachfull, which represents 20% of voting rights of Reachfull according to the shareholders’ agreement. On 13 December 2021, Red Power Enterprises Limited, an indirectly wholly owned subsidiary of the Group entered into a share transfer agreement with independent third parties, to dispose its entire 80% equity interest in Right Dynamic Limited, immediate holding company of Reachfull, at a cash consideration of US\$800,000 (equivalent to HK\$6,240,000).

All of these associates are accounted for using the equity method in these consolidated financial statements.

**17. INTERESTS IN ASSOCIATES** *(Continued)***Summarised financial information of material associates**

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

**Hi-Level Holdings**

|   | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|---|--------------------------------------|-------------------------------|
| Current assets  | <b>745,050</b>                       | 547,676                       |
| Non-current assets                                    | <b>9,131</b>                         | 11,180                        |
| Current liabilities                                   | <b>647,795</b>                       | 389,995                       |
| Non-current liabilities                               | <b>2,901</b>                         | 142                           |
|   | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
| Revenue   | <b>2,847,359</b>                     | 2,254,195                     |
| (Loss) profit for the year                            | <b>(46,954)</b>                      | 32,127                        |
| Other comprehensive income for the year               | <b>4,567</b>                         | 5,203                         |
| Total comprehensive (expense) income for the year     | <b>(42,387)</b>                      | 37,330                        |
| Dividends received from the associate during the year | <b>7,483</b>                         | 2,120                         |



## 17. INTERESTS IN ASSOCIATES (Continued)

### Summarised financial information of material associates (Continued)

#### Hi-Level Holdings (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

|  | 31.12.2021<br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|--|-------------------------------|-------------------------------|
| Net assets of Hi-Level Holdings                                      | <b>103,485</b>                | 168,719                       |
| Proportion of the Group's ownership interest<br>in Hi-Level Holdings | <b>33.6%</b>                  | 32.5%                         |
| Goodwill   | <b>34,771</b>                 | 54,834                        |
| Others   | <b>16,141</b>                 | 16,141                        |
|  | <b>1,046</b>                  | 1,110                         |
| Carrying amount of the Group's interest in Hi-Level Holdings         | <b>51,958</b>                 | 72,085                        |

#### Aggregate information of an associate that is not material

The Group has discontinued recognition of its share of loss of Reachfull.

## 18. INTEREST IN A JOINT VENTURE

|   | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
|---|------------------------|------------------------|
| Cost of unlisted investment in a joint venture                    | 17,300                 | 17,300                 |
| Share of post-acquisition losses and other comprehensive expenses | (5,729)                | (6,585)                |
|   | <b>11,571</b>          | 10,715                 |

As at 31 December 2021 and 2020, the Group had interest in the following joint venture:

| Name of joint venture         | Form of business structure | Place of incorporation/ operations | Class of shares held | Proportion of issued share capital held by the Group |              | Proportion of voting rights held by the Group |              | Principal activity                              |
|-------------------------------|----------------------------|------------------------------------|----------------------|--|--------------|---|--------------|---|
|                               |                            |                                    |                      | 31.12.2021   | 31.12.2020   | 31.12.2021                                    | 31.12.2020   |   |
|                               |                            |                                    |                      | %  | %            | %   | %            |   |
| Kitronix Limited ("Kitronix") | Incorporated               | Hong Kong                          | Ordinary             | 50<br>(note)   | 50<br>(note) | 40<br>(note)                                  | 40<br>(note) | Manufacturing of liquid crystal display modules |

*note:* The Group is able to exercise joint control over the financing and operating decision of Kitronix as major decision regarding the relevant activities of Kitronix requires unanimous consent of all the directors of Kitronix according to the shareholders' agreement.

The summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

### Kitronix

|                     | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
|---------------------|------------------------|------------------------|
| Current assets      | 13,034                 | 10,965                 |
| Non-current assets  | 8,371                  | 8,437                  |
| Current liabilities | 1,029                  | 739                    |





## 18. INTEREST IN A JOINT VENTURE (Continued)

### Kitronix (Continued)

The above amounts of assets and liabilities including the following:

|   | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
|---|------------------------|------------------------|
| Cash and cash equivalent                | 13,034                 | 10,965                 |
|   | 2021<br>HK\$'000       | 2020<br>HK\$'000       |
| Revenue                                 | 1,906                  | 1,392                  |
| Profit for the year                     | 1,420                  | 788                    |
| Other comprehensive income for the year | 292                    | 1,082                  |
| Total comprehensive income for the year | 1,712                  | 1,870                  |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Kitronix recognised in the consolidated financial statements:

|   | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
|---|------------------------|------------------------|
| Net assets of Kitronix                              | 20,376                 | 18,663                 |
| Proportion of the Group's ownership in Kitronix     | 50%                    | 50%                    |
| Goodwill  | 10,188<br>1,383        | 9,332<br>1,383         |
| Carrying amount of the Group's interest in Kitronix | 11,571                 | 10,715                 |

**19. INVENTORIES**

|               | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|---------------|--------------------------------------|-------------------------------|
| Trading goods | <b>2,654,073</b>                     | 1,801,012                     |

**20. TRADE AND OTHER RECEIVABLES/TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME****(a) Trade and other receivables**

|                                     | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|-------------------------------------|--------------------------------------|-------------------------------|
| Trade receivables at amortised cost | <b>1,861,771</b>                     | 1,200,211                     |
| Less: allowance for credit losses   | <b>(10,775)</b>                      | (11,844)                      |
|                                     | <b>1,850,996</b>                     | 1,188,367                     |
| Other receivables                   | <b>73,853</b>                        | 36,716                        |
| Prepayment and deposits paid        | <b>200,311</b>                       | 14,877                        |
| Total trade and other receivables   | <b>2,125,160</b>                     | 1,239,960                     |

As at 1 January 2020, trade receivables from contracts with customers measured at amortised cost amounted to HK\$1,187,720,000.

The Group allows a credit period ranging from 30 days to 120 days to its trade customers.



## 20. TRADE AND OTHER RECEIVABLES/TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

### (a) Trade and other receivables *(Continued)*

The following is an aging analysis of trade receivables measured at amortised cost net of allowance for credit losses presented based on the due date at the end of the reporting period:

|              | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|--------------|--------------------------------------|-------------------------------|
| Not past due | <b>1,397,994</b>                     | 878,812                       |
| Overdue by:  |                                      |                               |
| 1 – 30 days  | <b>316,151</b>                       | 129,039                       |
| 31 – 60 days | <b>76,179</b>                        | 42,475                        |
| 61 – 90 days | <b>6,781</b>                         | 39,283                        |
| Over 90 days | <b>53,891</b>                        | 98,758                        |
|              | <b>1,850,996</b>                     | 1,188,367                     |

Before accepting a new customer, the Group assesses the potential customer's credit quality by investigating their historical credit record and then sets a credit limit for that customer. Limits attributed to customers are reviewed periodically. The majority of the trade receivables that are neither past due nor impaired have no history of defaults on payments.

Other than value added tax recoverable of HK\$20,101,000 (2020: HK\$15,624,000), other receivables are unsecured, interest-free, repayable on demand and expected to be settled within twelve months from the reporting date.

As at 31 December 2021, included in the Group's trade receivables at amortised cost are debtors with aggregate carrying amount of HK\$453,002,000 (2020: HK\$309,555,000) which are past due as at the reporting date. Out of the past due balances, HK\$53,891,000 (2020: HK\$98,758,000) has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

## 20. TRADE AND OTHER RECEIVABLES/TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

### (a) Trade and other receivables *(Continued)*

The Group's trade and other receivables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

|                              | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|------------------------------|--------------------------------------|-------------------------------|
| United States Dollar ("USD") | <b>245,515</b>                       | 242,810                       |
| Renminbi ("RMB")             | <b>6,630</b>                         | 5,688                         |
|                              | <b>252,145</b>                       | 248,498                       |

Details of impairment assessment of trade and other receivables are set out in note 35.

### (b) Trade receivables at fair value through other comprehensive income

|  | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|--|--------------------------------------|-------------------------------|
| Trade receivables held for collecting contractual cash flows or factoring to banks | <b>1,127,877</b>                     | 1,406,049                     |

As at 1 January 2020, trade receivables at fair value through other comprehensive income from contracts with customers amounted to HK\$710,957,000.

These trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and factoring trade receivables to the banks without recourse and hence these trade receivables are measured at FVTOCI.

In the opinion of the directors, when the trade receivables are factored to banks, the Group transfers substantially all the risks and rewards of ownership to banks, and accordingly the related trade receivables are derecognised. During the year ended 31 December 2021, the loss from derecognition of trade receivables at FVTOCI was HK\$29,386,000 (2020: HK\$23,467,000).



## 20. TRADE AND OTHER RECEIVABLES/TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

### (b) Trade receivables at fair value through other comprehensive income *(Continued)*

The following is an aging analysis of trade receivables at FVTOCI presented based on the due date at the end of the reporting period:

|              | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|--------------|--------------------------------------|-------------------------------|
| Not past due | <b>1,020,326</b>                     | 1,228,429                     |
| Overdue by:  |                                      |                               |
| 1 – 30 days  | <b>98,467</b>                        | 158,787                       |
| 31 – 60 days | <b>1,707</b>                         | 13,683                        |
| 61 – 90 days | <b>6,106</b>                         | 4,924                         |
| Over 90 days | <b>1,271</b>                         | 216                           |
|              | <b>1,127,877</b>                     | 1,406,049                     |

As at 31 December 2021, included in the Group's trade receivables at FVTOCI are debtors with aggregate carrying amount of HK\$107,551,000 (2020: HK\$177,610,000) which are past due as at the reporting date. Out of the past due balances, HK\$1,271,000 (2020: HK\$216,000) has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Details of impairment assessment are set out in note 35.

## 21. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements as a lessor for (a) business equipment, (b) advertising billboards and (c) LED display boards. Details of each type of finance lease arrangements are set out below.

The risk arising from unguaranteed residual value on the assets under lease is not significant, because of the existence of a secondary market of these assets.

For the year ended 31 December 2021, the finance lease receivables decreased mainly because of the expiry of finance leases in respect of business equipment.



## 21. FINANCE LEASE RECEIVABLES (Continued)

|   | Minimum<br>lease<br>payments<br>31.12.2021<br><i>HK\$'000</i> | Present<br>value of<br>minimum<br>lease<br>payments<br>31.12.2021<br><i>HK\$'000</i> | Minimum<br>lease<br>payments<br>31.12.2020<br><i>HK\$'000</i> | Present<br>value of<br>minimum<br>lease<br>payments<br>31.12.2020<br><i>HK\$'000</i> |
|---|---|--|---|--|
| Finance lease receivables comprise:                   |   |  |   |  |
| Within one year                                       | 13,690  | 12,848   | 22,655  | 19,528   |
| In the second year                                    | 7,939   | 7,308  | 15,140  | 12,806   |
| In the third year                                     | 3,000   | 2,678  | 11,461  | 9,525  |
| In the fourth year                                    | –   | –  | 4,330   | 3,664  |
| In the fifth year                                     | –   | –  | –   | –  |
|   | <b>24,629</b>   | <b>22,834</b>  | 53,588  | 45,525   |
| Less: Unearned finance income                         | <b>(1,795)</b>  | <b>N/A</b>   | (8,063)   | N/A  |
| Present value of minimum lease<br>payment receivables | <b>22,834</b>   | <b>22,834</b>  | 45,525  | 45,525   |
| Analysed as:  |   |  |   |  |
| Current   |   | <b>12,848</b>  |   | 19,528   |
| Non-current   |   | <b>9,986</b>   |   | 25,997   |
|   |   | <b>22,834</b>  |   | 45,525   |
| Business equipment                                    |   | <b>19,872</b>  |   | 41,638   |
| Advertising billboard                                 |   | <b>179</b>   |   | 1,227  |
| LED display boards                                    |   | <b>2,783</b>   |   | 2,660  |
|   |   | <b>22,834</b>  |   | 45,525   |



## 21. FINANCE LEASE RECEIVABLES (Continued)

- (a) The Group has entered into sales contracts with its customers pursuant to which legal ownership is transferred to the customers upon full payment of the contract sum (the "Contracts") plus a nominal amount of HK\$500 for each business equipment at the option of customers. The payment of contract sum under the Contracts depends on the utilisation of the business equipment by the customers during the contract period, subject to monthly minimum instalment payments during the terms of the Contracts. As the feature of these contracts is such that substantially all the risks and rewards incidental to the ownership of the business equipment have been transferred to the customers upon the inception of the contract, notwithstanding that the titles to the equipment may only be transferred to the customers upon full payment of the contract sum plus a nominal amount of HK\$500 for each equipment which occur at the end of the contract period, the sales of the business equipment under such Contracts have been accounted for as finance lease under HKFRS 16 and finance lease receivables have been recognised accordingly. Distributor profit was also recognised in the profit or loss resulting from an outright sale of the business equipment being leased, at normal selling prices, under the Contracts.

The discount rate used for the finance lease receivable of the business equipment approximated 9.00% (2020: 9.00%) for the year ended 31 December 2021.

- (b) The Group has entered into a sublease of an advertising billboard. As at 31 December 2021, the carrying amount of the related finance lease receivables was HK\$179,000 (2020: HK\$1,227,000).

The discount rate used for the finance lease receivable of the advertising billboard approximated 4.28% (2020: 4.28%) for the year ended 31 December 2021.

- (c) During the year ended 31 December 2021, the Group has entered three (2020: two) lease arrangements of LED display boards. The carrying amount of the related finance lease receivables was HK\$2,783,000 as at 31 December 2021.

The discount rate used for the finance lease receivable of the LED display boards approximated 4.28% (2020: 4.28%) for the year ended 31 December 2021.

Details of impairment assessment of finance lease receivables are set out in note 35.

**22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

|                                       | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|---------------------------------------|--------------------------------------|-------------------------------|
| Investments held-for-trading:         |                                      |                               |
| Unlisted bond fund ( <i>note</i> )    | <b>7,991</b>                         | 8,224                         |
| Equity securities listed in Hong Kong | <b>122,448</b>                       | 23,445                        |
| Other investments                     | <b>2,998</b>                         | 2,998                         |
|                                       | <b>133,437</b>                       | 34,667                        |

Analysed for reporting purpose as:

|                    | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|--------------------|--------------------------------------|-------------------------------|
| Current assets     | <b>130,439</b>                       | 31,669                        |
| Non-current assets | <b>2,998</b>                         | 2,998                         |
|                    | <b>133,437</b>                       | 34,667                        |

*Note:* The amount represents an unlisted bond fund which is quoted in an active market. The fair value of the investment is determined by reference to the quoted prices as at 31 December 2021 and 2020. The amount is denominated in USD.

**23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH**

At 31 December 2021, the pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

The bank balances and pledged bank deposits carry fixed interest at rates which range from 0.01% to 1.0% (2020: from 0.01% to 1.0%) per annum and variable interest at rates which range from 0.2% to 0.85% (2020: from 1.07% to 2.85%) per annum, respectively.

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

|     | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|-----|--------------------------------------|-------------------------------|
| USD | <b>582,041</b>                       | 37,529                        |
| RMB | <b>23,464</b>                        | 24,720                        |
|     | <b>605,505</b>                       | 62,249                        |



## 24. TRADE AND OTHER PAYABLES

|                                   | 31.12.2021<br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|-----------------------------------|-------------------------------|-------------------------------|
| Trade payables ( <i>note i</i> )  | <b>3,188,807</b>              | 2,819,088                     |
| Other payables ( <i>note ii</i> ) | <b>149,019</b>                | 101,546                       |
| Accruals and deposits received    | <b>91,117</b>                 | 61,132                        |
| Total trade and other payables    | <b>3,428,943</b>              | 2,981,766                     |

### Notes:

- (i) As at 31 December 2021, the balance of trade payables included bills presented by the Group of HK\$95,367,000 (2020: HK\$122,221,000), which the Group issued letter of credit to suppliers but the related facilities were not drawn.
- (ii) As at 31 December 2021, included in other payable of HK\$107,563,000 (2020: HK\$67,341,000) arising from retrospective sales discount.

The credit period on purchase of goods ranged from 30 days to 120 days.

Included in the Group's trade and other payables with aggregate amount of approximately HK\$63,874,000 (2020: HK\$56,813,000) are denominated in USD which is other than the functional currency of the relevant group entities.

The following is an aging analysis of trade payables presented based on the due date at the end of the reporting period:

|                                      | 31.12.2021<br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------------|-------------------------------|
| Current                              | <b>2,873,644</b>              | 2,636,651                     |
| Within 30 days                       | <b>137,034</b>                | 98,068                        |
| More than 30 days and within 60 days | <b>54,076</b>                 | 17,340                        |
| More than 60 days and within 90 days | <b>44,183</b>                 | 18,886                        |
| More than 90 days                    | <b>79,870</b>                 | 48,143                        |
|                                      | <b>3,188,807</b>              | 2,819,088                     |

**25. CONTRACT LIABILITIES**

|                | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|----------------|--------------------------------------|-------------------------------|
| Sales of goods | <b>364,849</b>                       | 45,978                        |
| Contract works | <b>2,147</b>                         | 2,570                         |
|                | <b>366,996</b>                       | 48,548                        |

At 1 January 2020, contract liabilities amounted to HK\$43,476,000.

The entire contract liabilities balances at the beginning of the year were recognised as revenue in respective years.

**26. LEASE LIABILITIES**

|   | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|---|--------------------------------------|-------------------------------|
| Lease liabilities payable:  |                                      |                               |
| Within one year   | <b>584</b>                           | 977                           |
| Within a period of more than one year<br>but not more than two years                    | <b>214</b>                           | 508                           |
|   | <b>798</b>                           | 1,485                         |
| Less: Amount due for settlement within<br>12 months and shown under current liabilities | <b>(584)</b>                         | (977)                         |
| Amount due for settlement after 12 months and<br>shown under non-current liabilities    | <b>214</b>                           | 508                           |





## 27. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative not under hedge accounting:

|   | ASSETS                 |                        | LIABILITIES            |                        |
|---|------------------------|------------------------|------------------------|------------------------|
|   | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
| Fair value of derivatives not under hedge accounting: |                        |                        |                        |                        |
| Foreign currency forward contracts                    | 876                    | –                      | –                      | 13,797                 |

Major terms of the outstanding foreign exchange forward contracts with monthly net-settlement to which the Group is committed are as follows:

### As at 31 December 2021

| Maximum aggregate notional amount (monthly-settled)             | Maturity  | Fixed forward exchange rates |
|---|---|------------------------------|
| Two contracts to buy USD in total notional amount USD10,000,000 | Ranging from 16 January 2022 to 20 January 2023 | HKD/USD at 7.749             |

### As at 31 December 2020

| Maximum aggregate notional amount (monthly-settled)              | Maturity                                   | Fixed forward exchange rates        |
|--|--|-------------------------------------|
| Five contracts to buy USD in total notional amount USD64,000,000 | Ranging from 5 January 2022 to 4 July 2022 | HKD/USD ranging from 7.735 to 7.750 |

## 28. BANK AND OTHER BORROWINGS

|   | 31.12.2021<br><i>HK\$'000</i>         | 31.12.2020<br><i>HK\$'000</i>         |
|---|---------------------------------------|---------------------------------------|
| Invoice financing and import loans  | <b>2,009,547</b>                      | 1,492,084                             |
| Other bank loans  | <b>485,440</b>                        | 496,878                               |
| Total bank borrowings   | <b>2,494,987</b>                      | 1,988,962                             |
| Other borrowings  | <b>19,455</b>                         | 40,408                                |
|   | <b>2,514,442</b>                      | 2,029,370                             |
| Analysed as:  |                                       |                                       |
| Current   | <b>2,280,502</b>                      | 1,769,011                             |
| Non-current   | <b>233,940</b>                        | 260,359                               |
|   | <b>2,514,442</b>                      | 2,029,370                             |
| Secured   | <b>1,054,149</b>                      | 651,676                               |
| Unsecured   | <b>1,460,293</b>                      | 1,377,654                             |
|   | <b>2,514,442</b>                      | 2,029,370                             |
|   | <b>31.12.2021<br/><i>HK\$'000</i></b> | <b>31.12.2020<br/><i>HK\$'000</i></b> |
| Carrying amount of bank borrowings contain a repayment on demand clause are repayable as follows:     |                                       |                                       |
| – within one year   | <b>2,260,246</b>                      | 1,743,552                             |
| Carrying amount of bank borrowings not contain a repayment on demand clause are repayable as follows: |                                       |                                       |
| – within one year   | <b>10,670</b>                         | 10,670                                |
| – more than one year, but not exceeding two years   | <b>21,340</b>                         | 21,340                                |
| – more than two years, but not exceeding five years   | <b>202,731</b>                        | 213,400                               |
|   | <b>234,741</b>                        | 245,410                               |



## 28. BANK AND OTHER BORROWINGS (Continued)

Carrying amounts of other borrowings are repayable\*:

|   | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
|---|------------------------|------------------------|
| Within one year   | 9,586                  | 14,789                 |
| Within a period of more than one year but not exceeding two years   | 7,308                  | 12,489                 |
| Within a period of more than two years but not exceeding five years | 2,561                  | 13,130                 |
|   | <b>19,455</b>          | 40,408                 |

\* The amounts due are based on scheduled repayment dates (which does not contain repayment on demand clause) as set out in the agreements.

At 31 December 2021, all of the bank borrowings bear interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum with the average effective interest rate of 1.12% (2020: 1.64%).

Included in the Group's bank borrowings with aggregate amount of HK\$56,783,000 (2020: HK\$26,601,000) denominated in USD which is other than the functional currency of the relevant group entities.

Effective interest rates per annum of other borrowings for the year are fixed at respective contract dates as follows:

|                          | 31.12.2021       | 31.12.2020 |
|--------------------------|------------------|------------|
| Effective interest rates | <b>8% to 10%</b> | 8% to 10%  |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 29. SHARE CAPITAL

|   | <b>Number of<br/>ordinary shares</b>  | <b>Amount<br/>HK\$'000</b> |
|---|---|----------------------------|
| <hr/>   |   |                            |
| Ordinary shares of HK\$0.10 each                              |   |                            |
| Authorised:   |   |                            |
| At 1 January 2020, 31 December 2020 and 2021                  | 1,454,000,000   | 145,400                    |
| Issued and fully paid:  |   |                            |
| At 1 January 2020, 31 December 2020 and 2021                  | 625,837,440   | 62,584                     |
| <hr/>   |   |                            |
|   | <b>Number of<br/>non-redeemable<br/>convertible<br/>preference<br/>shares</b> | <b>Amount<br/>HK\$'000</b> |
| <hr/>   |   |                            |
| Non-redeemable convertible preference shares of HK\$0.10 each |   |                            |
| Authorised:   |   |                            |
| At 1 January 2020, 31 December 2020 and 2021                  | 46,000,000  | 4,600                      |
| Issued and fully paid:  |   |                            |
| At 1 January 2020, 31 December 2020 and 2021                  | –   | –                          |
| <hr/>   |   |                            |



### 30. DEFERRED TAXATION

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

|                                   | Revaluation<br>of investment<br>properties<br><i>HK\$'000</i> | Accelerated<br>tax<br>depreciation<br><i>HK\$'000</i> | Tax<br>losses<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------|---|---|----------------------------------|---------------------------|--------------------------|
| At 1 January 2020                 | 45,805  | 4,889   | (3,493)                          | (3,214)                   | 43,987                   |
| (Credit) charge to profit or loss | (4,955)   | 757   | –                                | (409)                     | (4,607)                  |
| Exchange realignment              | 1,602   | –   | –                                | –                         | 1,602                    |
| At 31 December 2020               | 42,452  | 5,646   | (3,493)                          | (3,623)                   | 40,982                   |
| (Credit) charge to profit or loss | (9,481)   | 233   | –                                | (1,373)                   | (10,621)                 |
| Exchange realignment              | 465   | –   | –                                | –                         | 465                      |
| At 31 December 2021               | 33,436  | 5,879   | (3,493)                          | (4,996)                   | 30,826                   |

The following is the analysis of the deferred tax balances for financial reporting purposes:

|                          | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|--------------------------|--------------------------------------|-------------------------------|
| Deferred tax assets      | <b>9,602</b>                         | 8,794                         |
| Deferred tax liabilities | <b>(40,428)</b>                      | (49,776)                      |
|                          | <b>(30,826)</b>                      | (40,982)                      |

As at 31 December 2021, the Group had unused tax losses of approximately HK\$59,632,000 (2020: HK\$68,163,000) available to offset future taxable profits. As at 31 December 2021, a deferred tax asset of HK\$3,493,000 (2020: HK\$3,493,000) was recognised for tax losses of approximately HK\$21,173,000 (2020: HK\$21,173,000) and no deferred tax asset was recognised in respect of the remaining tax losses of approximately HK\$38,459,000 (2020: HK\$46,990,000) due to unpredictability of future profit streams. Included in unused tax losses are tax losses of HK\$33,995,000 (2020: HK\$41,601,000) which may be carried forward indefinitely under current tax regulation in Hong Kong and the remaining unused tax losses of HK\$4,405,000 and HK\$59,000 (2020: HK\$5,330,000 and HK\$59,000) will expire from 2021 to 2026 and 2021 to 2031 (2020: 2021 to 2025 and 2021 to 2030), respectively.

At the end of the reporting period, the Group has deductible temporary differences of HK\$13,929,000 (2020: HK\$10,485,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. The deductible temporary differences may be carried forward indefinitely under current tax regulation in Hong Kong.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 30. DEFERRED TAXATION (Continued)

At 31 December 2021, a deferred tax liability of investment properties has been reversed in respect of the reversal of fair value gain previously recognised of HK\$37,924,000. At 31 December 2020, a deferred tax liability was recognised in respect of the increase in fair value of investment properties of HK\$60,156,000.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements for the profits amounting to approximately RMB93,227,000 (31 December 2020: RMB87,972,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Under the Law of the Taiwan Corporate income tax, withholding tax is imposed on dividends declared in respect of profits earned by the Taiwan subsidiaries from 25 January 2012 onwards. Deferred taxation has not been provided for in the consolidated financial statements for the profits amounting to approximately HK\$134,485,000 (31 December 2020: HK\$107,966,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 31. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme, or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Under the MPF Scheme, no forfeited contributions are available to reduce the contributions payable in future years.

The employees employed by the Group's Mainland China subsidiaries are members of the state-managed retirement benefits schemes operated by the Mainland China government. The Group's Mainland China subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total expense recognised in profit or loss of HK\$13,035,000 (2020: HK\$8,465,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.



## 32. PLEDGE OF ASSETS

At the end of reporting period, the following assets of the Group were pledged to banks in order to secure general banking facilities granted by these banks to the Group:

|                              | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|------------------------------|--------------------------------------|-------------------------------|
| Trade receivables            | <b>456,877</b>                       | 366,326                       |
| Bank deposits                | <b>25,366</b>                        | 25,596                        |
| Leasehold land and buildings | <b>233,434</b>                       | 269,691                       |
| Rights-of-use assets         | <b>177,544</b>                       | 184,506                       |
| Investment properties        | <b>82,000</b>                        | 77,000                        |
|                              | <b>975,221</b>                       | 923,119                       |

## 33. OPERATING LEASES ARRANGEMENTS

### The Group as lessor

During the year ended 31 December 2021, property rental income net of outgoings of HK\$12,000 (2020: HK\$12,000) earned during the year was HK\$24,185,000 (2020: HK\$17,677,000). The properties held have committed tenants for the next four years.

Minimum lease payment receivables on leases are as follows:

|                    | <b>31.12.2021</b><br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|--------------------|--------------------------------------|-------------------------------|
| Within one year    | <b>21,297</b>                        | 24,986                        |
| In the second year | <b>7,906</b>                         | 17,908                        |
| In the third year  | <b>6,171</b>                         | 16,208                        |
| In the fourth year | <b>4,752</b>                         | –                             |
|                    | <b>40,126</b>                        | 59,102                        |

### 34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

### 35. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

|                                    | 31.12.2021<br><i>HK\$'000</i> | 31.12.2020<br><i>HK\$'000</i> |
|------------------------------------|-------------------------------|-------------------------------|
| <b>Financial assets</b>            |                               |                               |
| Financial assets at amortised cost | 3,689,223                     | 2,402,130                     |
| Trade receivables at FVTOCI        | 1,127,877                     | 1,406,049                     |
| Financial assets at FVTPL          | 133,437                       | 34,667                        |
| Derivative financial instruments   | 876                           | –                             |
| <b>Financial liabilities</b>       |                               |                               |
| Amortised cost                     | 5,852,268                     | 4,950,004                     |
| Derivative financial instruments   | –                             | 13,797                        |

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

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, trade receivables at FVTOCI, amount due from an associate, derivative financial instruments, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.



### 35. FINANCIAL INSTRUMENTS (Continued)

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

##### Market risk

##### (i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and foreign currency trade and other receivables, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary liabilities (including intercompany balances within the Group) and monetary assets at the end of reporting period are as follows:

|     | Liabilities            |                        | Assets                 |                        |
|-----|------------------------|------------------------|------------------------|------------------------|
|     | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
| USD | 114,486                | 83,414                 | 827,557                | 280,339                |
| RMB | 2,058                  | 552                    | 30,093                 | 30,408                 |

Included in above are the Group's foreign currency denominated monetary assets at FVTPL at the reporting date which are as follows:

|     | Assets                 |                        |
|-----|------------------------|------------------------|
|     | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
| USD | 15,926                 | 8,224                  |

The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure closely and consider for further usage of hedging instruments when the need arise.

No sensitivity analysis is presented for USD denominated financial assets and liabilities in which the functional currency of the respective group entities is HK\$ as HK\$ is currently pegged to USD. Management considers that the exposure to exchange fluctuation in respect of USD is limited.

The Group is mainly exposed to the fluctuation in HK\$ against RMB.

**35. FINANCIAL INSTRUMENTS** (Continued)**(b) Financial risk management objectives and policies** (Continued)**Market risk** (Continued)*(i) Currency risk (Continued)*

The following table details the Group's sensitivity to a 10% increase and decrease in RMB against HK\$ (excluding financial assets at fair value through profit or loss). 10% (2020: 10%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year end for a 10% (2020: 10%) change in foreign currency rates. The sensitivity analysis includes mainly foreign currency trade and other receivables, bank balances and cash and trade and other payables (including intercompany balances within the Group) 10% (2020: 10%) strengthening of RMB against HK\$ will increase the Group's profit for the year by the following amount. For 10% (2020: 10%) weakening of RMB against HK\$, there would be an equal and opposite impact on the profit and the balance below would be negative.

|                    | <b>RMB impact</b> |          |
|--------------------|-------------------|----------|
|                    | <b>2021</b>       | 2020     |
|                    | <b>HK\$'000</b>   | HK\$'000 |
| Increase in profit | <b>2,341</b>      | 2,492    |

*(ii) Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 23 and 28 for details). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR and HIBOR arising from the Group's variable-rate bank borrowings.





### 35. FINANCIAL INSTRUMENTS (Continued)

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

##### **Market risk** (Continued)

##### (ii) Interest rate risk (Continued)

###### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the variable-rate bank balances and bank borrowings at the end of reporting period were outstanding for the whole year. For variable-rate bank balances, 5 basis points increase and 5 basis points decrease (2020: 5 basis points increase and 5 basis points decrease) are used. For variable-rate bank borrowings, 20 basis points (2020: 20 basis points) increase or decrease is used.

If interest rates had been 5 basis points higher for variable-rate bank balances and 20 basis point higher for variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would decrease by approximately HK\$4,166,627 if interest rate is higher; would increase by approximately HK\$4,166,627 if interest rate is lower (2020: decrease by approximately HK\$3,186,105 if interest rate is higher, would increase by approximately HK\$3,186,105 if interest rate is lower).

##### (iii) Other price risk

The Group is exposed to other price risk through its investments in listed equity securities, unlisted bond fund and other investments classified as FVTPL investments. The management manages the other price risk exposure in relation to listed equity securities by maintaining a portfolio of investments with different risks.

###### Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the market prices of the respective listed equity instruments and the quoted price of the equity funds had been 5% (2020: 5%) higher/lower and all other variables were held constant: post-tax profit for the year would increase/decrease by approximately HK\$5,571,000 (2020: HK\$1,447,000) as a result of the changes in fair value of financial assets through profit or loss.

**35. FINANCIAL INSTRUMENTS** *(Continued)***(b) Financial risk management objectives and policies** *(Continued)****Credit risk and impairment assessment***

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, other receivables, amount due from an associate, pledged bank deposits, bank balances and finance lease receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and other items.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

***Trade receivables and contract assets arising from contracts with customers***

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model under application of HKFRS 9 on trade debtors by assigning each of them to the Group's internal credit rating scale individually. Except for those which had been determined as credit impaired under HKFRS 9 the ECL of which are assigned individually, trade receivables and contract assets are grouped by an internal credit ratings and the ECL on these assets with the same internal credit rating are assessed in a collective basis.

The management of the Group considers the amounts of trade receivables at FVTOCI and contract assets within lifetime ECL as at 31 December 2021 and 2020 was insignificant and accordingly no allowance for credit losses is provided.

The Group has concentration of credit risk as 76% (2020: 30%) and 80% (2020: 40%) of the total trade receivables and trade receivables at FVTOCI was due from the Group's largest customer and the five largest customers, respectively.



### 35. FINANCIAL INSTRUMENTS (Continued)

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

##### **Credit risk and impairment assessment** (Continued)

###### *Other receivables/amount due from an associate*

The Group assessed the impairment for its other receivables and amount due from an associate individually. In the opinion of the directors of the Company, there has been no significant increase in credit risk since initial recognition of these balances. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for other receivables and amount due from an associate within 12-month ECL as at 31 December 2021 and 2020 was insignificant and accordingly no allowance for credit losses is provided.

###### *Pledged bank deposits/bank balances*

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are banks with good reputation. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for pledged bank deposits and bank balances within 12m ECL as at 31 December 2021 and 2020 was insignificant and accordingly no allowance for credit losses is provided.

###### *Finance lease receivables*

For the finance lease receivables of business equipment, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. The Group performs impairment assessment under ECL model under application of HKFRS 9 by assigning each of them to the Group's internal credit rating scale individually, giving an internal credit rating and the ECL on these assets with the same internal credit rating are assessed in a collective basis.

The management of the Group considers the loss allowance for these finance lease receivables within lifetime ECL as at 31 December 2021 and 2020 was insignificant and accordingly no allowance for credit losses is provided.

For the finance lease receivable of the leased advertising billboard and LED display boards, the management of the Group considers the credit risk is limited because the counterparty is an industry leader with good financial background.

As finance lease receivables consists of a large number of customers, spread across diverse industries, the Group does not have significant concentration of credit risk on finance lease receivables.

## 35. FINANCIAL INSTRUMENTS *(Continued)*

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

#### **Credit risk and impairment assessment** *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

| <b>Internal credit rating</b> | <b>Description</b>  | <b>Trade receivables/<br/>finance lease<br/>receivables</b> | <b>Other financial<br/>assets</b>     |
|-------------------------------|---|---|---------------------------------------|
| Performing                    | The counterparty has a low risk of default  | Lifetime ECL<br>– not credit-impaired                       | 12-month ECL                          |
| Watch list                    | Debtor frequently repays after due dates but usually settle in full   | Lifetime ECL<br>– not credit-impaired                       | 12-month ECL                          |
| Doubtful                      | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL<br>– not credit-impaired                       | Lifetime ECL<br>– not credit-impaired |
| Loss                          | There is evidence indicating the asset is credit-impaired   | Lifetime ECL<br>– credit-impaired                           | Lifetime ECL<br>– credit-impaired     |
| Write-off                     | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery            | Amount is written off                                       | Amount is written off                 |



## 35. FINANCIAL INSTRUMENTS (Continued)

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

#### Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's trade and other receivables, amount due from an associate, pledged bank deposits, bank balances, finance lease receivables and contract assets which are subject to ECL assessment:

|  | Notes | Internal credit rating | 12-month or lifetime ECL           | Gross carrying amount  |                        |
|--|-------|------------------------|------------------------------------|------------------------|------------------------|
|  |       |                        |                                    | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
| <b>Trade receivables at FVTOCI</b>         | 20(b) | Performing             | Lifetime ECL – not credit-impaired | <b>1,127,877</b>       | 1,406,049              |
| <b>Financial assets at amortised costs</b> |       |                        |                                    |                        |                        |
| Trade receivables at amortised cost        | 20(a) | Performing             | Lifetime ECL – not credit-impaired | <b>1,803,739</b>       | 1,095,234              |
|  |       | Watch list             | Lifetime ECL – not credit-impaired | <b>54,301</b>          | 101,621                |
|  |       | Loss                   | Credit-impaired                    | <b>3,731</b>           | 3,356                  |
|  |       |                        |                                    | <b>1,861,771</b>       | 1,200,211              |
| Other receivables                          | 20(a) | Performing             | 12-month ECL                       | <b>53,752</b>          | 21,092                 |
| Amount due from an associate               | 36    | Performing             | 12-month ECL                       | <b>132</b>             | 93                     |
| Pledged bank deposits                      | 23    | Performing             | 12-month ECL                       | <b>25,366</b>          | 25,596                 |
| Bank balances                              | 23    | Performing             | 12-month ECL                       | <b>1,757,733</b>       | 1,166,226              |
| <b>Other items</b>                         |       |                        |                                    |                        |                        |
| Finance lease receivables                  | 21    | Performing             | Lifetime ECL – not credit-impaired | <b>22,834</b>          | 45,525                 |

As part of the Group's credit risk management, the Group applies internal credit rating for its customers individually. The following table provides information about the exposure to credit risk for trade receivables at amortised costs as at 31 December 2021 and 2020 within lifetime ECL (not credit impaired).



## 35. FINANCIAL INSTRUMENTS (Continued)

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

#### Credit risk and impairment assessment (Continued)

Gross carrying amount

| Internal credit rating | Average loss rate |            | Trade receivables      |                        |
|------------------------|-------------------|------------|------------------------|------------------------|
|                        | 31.12.2021        | 31.12.2020 | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
| Performing             | 0.4%              | 0.5%       | 1,803,739              | 1,095,234              |
| Watch list             | 1.3%              | 2.8%       | 54,301                 | 101,621                |
|                        |                   |            | <b>1,858,040</b>       | 1,196,855              |

The following table shows the movement in lifetime ECL that has been recognised for trade receivables at amortised cost under the simplified approach.

|   | Lifetime ECL<br>(not credit -<br>impaired)<br>HK\$'000 | Lifetime ECL<br>(credit -<br>impaired)<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|--|-------------------|
| <b>As at 1 January 2020</b>   | 8,481  | 3,726  | 12,207            |
| Changes due to financial instruments<br>recognised as at 1 January: |  |  |                   |
| – Impairment losses reversed  | (8,452)  | (346)  | (8,798)           |
| – Transfer to credit-impaired                                       | (29)   | 29   | –                 |
| – Impairment losses recognised                                      | –  | 1,904  | 1,904             |
| – Write-offs  | –  | (1,957)  | (1,957)           |
| New financial assets originated                                     | 8,488  | –  | 8,488             |
| <b>As at 31 December 2020</b>                                       | 8,488  | 3,356  | 11,844            |
| Changes due to financial instruments<br>recognised as at 1 January: |  |  |                   |
| – Impairment losses reversed  | (7,949)  | (530)  | (8,479)           |
| – Transfer to credit-impaired                                       | (928)  | 928  | –                 |
| – Impairment losses recognised                                      | –  | 626  | 626               |
| – Write-offs  | –  | (649)  | (649)             |
| New financial assets originated                                     | 7,433  | –  | 7,433             |
| <b>As at 31 December 2021</b>                                       | 7,044  | 3,731  | 10,775            |

The ECL on credit-impaired trade receivables are provided for in full.



### 35. FINANCIAL INSTRUMENTS (Continued)

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

##### Credit risk and impairment assessment (Continued)

Changes in the loss allowance for trade receivables at amortised cost are mainly due to:

|   | 31.12.2021<br>Increase/(decrease)<br>in lifetime ECL |                                  | 31.12.2020<br>Increase/(decrease)<br>in lifetime ECL |                                  |
|---|--|----------------------------------|--|----------------------------------|
|   | Not credit -<br>impaired<br>HK\$'000                 | Credit -<br>impaired<br>HK\$'000 | Not credit -<br>impaired<br>HK\$'000                 | Credit -<br>impaired<br>HK\$'000 |
| Non-credit impaired ECL recognised for trade receivables originated during the year ended 31 December 2021 with a gross amount of HK\$1,858,040 (2020: HK\$1,196,855,000) | 7,433  | –                                | 8,488  | –                                |
| Transfer to credit-impaired upon reaching default and increase in allowance of trade receivables with gross amount of HK\$1,559,000 (2020: HK\$1,933,000)                 | (928)  | 928                              | (29)   | 29                               |
| Credit impaired ECL recognised for trade receivables transferred from Non-credit impaired ECL with gross amount of HK\$1,554,000 (2020: HK\$1,933,000)                    | –  | 626                              | –  | 1,904                            |
| Written off in trade receivables with gross amount of HK\$649,000 (2020: HK\$1,957,000)   | –  | (649)                            | –  | (1,957)                          |
| Settlement in full of trade receivables with a gross carrying amount of HK\$1,195,831,000 (2020: HK\$1,194,614,000)   | (7,949)  | (530)                            | (8,452)  | (346)                            |

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

**35. FINANCIAL INSTRUMENTS** *(Continued)***(b) Financial risk management objectives and policies** *(Continued)***Liquidity risk**

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

The following tables detail the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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

In addition, the liquidity analysis for the Group's derivative financial instruments is prepared based on the expected settlement date as the management considers that such basis is essential for an understanding of the timing of the expected cash flows of the contracts.



## 35. FINANCIAL INSTRUMENTS (Continued)

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

#### Liquidity risk (Continued)

##### Liquidity tables

|   | Weighted<br>average<br>effective<br>interest rate<br>% | On<br>demand or<br>less than<br>1 month<br>HK\$'000 | 1 - 3<br>months<br>HK\$'000 | 3 months<br>to<br>1 year<br>HK\$'000 | 1 - 5 years<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Carrying<br>amount<br>at<br>31.12.2021<br>HK\$'000 |
|---|--|---|-----------------------------|--------------------------------------|-------------------------|---|--|
| <b>31.12.2021</b>                           |  |   |                             |                                      |                         |   |  |
| <b>Non-derivative financial liabilities</b> |  |   |                             |                                      |                         |   |  |
| Trade and other payables                    | -  | 3,155,883   | 102,073                     | 79,870                               | -                       | 3,337,826                                       | 3,337,826  |
| Bank and other borrowings                   | 1.25*  | 2,263,486   | 4,505                       | 15,744                               | 237,568                 | 2,521,303                                       | 2,514,442  |
| Lease liabilities                           | 4.06   | 52  | 143                         | 356                                  | 266                     | 817   | 798  |
|   |  | <b>5,419,421</b>                                    | <b>106,721</b>              | <b>95,970</b>                        | <b>237,834</b>          | <b>5,859,946</b>                                | <b>5,853,066</b>                                   |

\* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

|   | Weighted<br>average<br>effective<br>interest rate<br>% | On<br>demand or<br>less than<br>1 month<br>HK\$'000 | 1 - 3<br>months<br>HK\$'000 | 3 months<br>to<br>1 year<br>HK\$'000 | 1 - 5 years<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Carrying<br>amount<br>at<br>31.12.2020<br>HK\$'000 |
|---|--|---|-----------------------------|--------------------------------------|-------------------------|---|--|
| <b>31.12.2020</b>                           |  |   |                             |                                      |                         |   |  |
| <b>Non-derivative financial liabilities</b> |  |   |                             |                                      |                         |   |  |
| Trade and other payables                    | -  | 2,811,969   | 65,832                      | 42,833                               | -                       | 2,920,634                                       | 2,920,634  |
| Bank and other borrowings                   | 1.77*  | 1,746,818   | 5,593                       | 19,897                               | 266,789                 | 2,039,097                                       | 2,029,370  |
| Lease liabilities                           | 4.06   | 93  | 263                         | 650                                  | 514                     | 1,520   | 1,485  |
|   |  | <b>4,558,880</b>                                    | <b>71,688</b>               | <b>63,380</b>                        | <b>267,303</b>          | <b>4,961,251</b>                                | <b>4,951,489</b>                                   |
| <b>Derivatives – net settlement</b>         |  |   |                             |                                      |                         |   |  |
| Foreign exchange forward contracts          |  | 13,797  | -                           | -                                    | -                       | -   | 13,797   |

\* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings and fixed interest rate of other borrowings at the end of the reporting period.

## 35. FINANCIAL INSTRUMENTS (Continued)

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

#### Liquidity risk (Continued)

##### Liquidity tables (Continued)

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amounts of these bank loans amounted to approximately HK\$2,260,246,000 (2020: HK\$1,743,552,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. However, in accordance with Hong Kong Interpretation 5 *Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*, all such bank loans have been classified as current liabilities.

|                                    | Weighted<br>average<br>effective<br>interest rate<br>% | Less than<br>1 month<br>HK\$'000 | 1 - 3<br>months<br>HK\$'000 | 3 months<br>to 1 year<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Carrying<br>amount<br>HK\$'000 |
|------------------------------------|--|----------------------------------|-----------------------------|-----------------------------------|---|--------------------------------|
| <b>As at 31 December 2021</b>      |  |                                  |                             |                                   |   |                                |
| Bank borrowings<br>– variable rate | 1.25   | 1,175,578                        | 973,820                     | 116,485                           | 2,265,883                                       | 2,260,246                      |
| <b>As at 31 December 2020</b>      |  |                                  |                             |                                   |   |                                |
| Bank borrowings<br>– variable rate | 1.64   | 1,017,970                        | 534,456                     | 197,840                           | 1,750,266                                       | 1,743,552                      |

The amount included above for variable interest rate non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

### (c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group’s financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).





## 35. FINANCIAL INSTRUMENTS (Continued)

## (c) Fair value measurements of financial instruments (Continued)

| Financial assets/<br>financial liabilities   | Fair value as at                  |                                      | Fair value<br>hierarchy | Valuation technique<br>and key input   | Significant<br>unobservable<br>input                      |
|--|-----------------------------------|--------------------------------------|-------------------------|--|---|
|  | 31.12.2021<br>HK\$'000            | 31.12.2020<br>HK\$'000               |                         |  |   |
| <b>Financial assets at<br/>fair value through<br/>profit or loss</b>                           |                                   |                                      |                         |  |   |
| Listed equity securities   | 122,448                           | 23,445                               | Level 1                 | Quoted bid prices in an active market  | N/A   |
| Unlisted bond funds  | 7,991                             | 8,224                                | Level 2                 | By quoted prices in market at the end<br>of the reporting period   | N/A   |
| Other investments  | 2,998                             | 2,998                                | Level 2                 | By quoted prices in market at the end of the<br>reporting period from different sources  | N/A   |
| <b>Debt instruments at<br/>FVTOCI</b>  |                                   |                                      |                         |  |   |
| Trade receivables<br>held for collecting<br>contractual cash<br>flows or factoring to<br>banks | 1,127,877                         | 1,406,049                            | Level 3                 | Discounted cash flow – with reference to<br>the discount rate quoted by the bank. The<br>management considers the fluctuation in<br>the discount rate would not result in a<br>significant change in the fair value.   | Discount rate<br>and collection<br>or factoring<br>period |
| <b>Derivative financial<br/>instruments</b>  |                                   |                                      |                         |  |   |
| Foreign currency<br>forward contracts  | Assets<br>876<br>Liabilities<br>– | Assets<br>–<br>Liabilities<br>13,797 | Level 2                 | Discounted cash flow – Future cash flows are<br>estimated based on forward exchange rates<br>(from observable forward exchange rates<br>at the end of the reporting period) and<br>contracted forward rates, discounted at a<br>rate that reflects the credit risk of various<br>counterparties. | N/A   |

There were no transfers between Levels 1, 2 and 3 in both years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost, using the discounted cash flows analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties, recognised in the consolidated financial statements approximate their fair values.

**36. RELATED PARTY TRANSACTIONS AND BALANCES**

The significant transactions with related parties during the year, and significant balances with them at the end of the reporting period, are as follows:

**(a) Transactions**

| <b>Name of party</b>              | <b>Nature of transactions</b>    | <b>2021</b><br><i>HK\$'000</i> | <b>2020</b><br><i>HK\$'000</i> |
|-----------------------------------|----------------------------------|--------------------------------|--------------------------------|
| Associate:                        |                                  |                                |                                |
| Hi-Level Holdings ( <i>Note</i> ) | Purchases of electronic products | –                              | 511                            |
|                                   | Rental income received           | <b>2,923</b>                   | 1,810                          |
|                                   | Management fee received          | –                              | 180                            |

**(b) Balances**

| <b>Name of party</b>              | <b>Nature of balances</b> | <b>31.12.2021</b><br><i>HK\$'000</i> | <b>31.12.2020</b><br><i>HK\$'000</i> |
|-----------------------------------|---------------------------|--------------------------------------|--------------------------------------|
| Associate:                        |                           |                                      |                                      |
| Hi-Level Holdings ( <i>Note</i> ) | Trade receivables         | <b>132</b>                           | 93                                   |

*Note:* The amounts represent trading balances which are unsecured, non-interest bearing and repayable with an average credit period of 60 days.

**(c) Compensation of key management personnel**

The directors are the key management personnel of the Company and their compensation for both years is set out in note 9.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021



## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

A summary of the statement of financial position of the Company at 31 December 2021 and 31 December 2020 are as follows:

|                                   | 31.12.2021<br>HK\$'000 | 31.12.2020<br>HK\$'000 |
|-----------------------------------|------------------------|------------------------|
| Non-current assets                |                        |                        |
| Amounts due from subsidiaries     | 718,136                | 761,321                |
| Investment in subsidiaries        | 73,179                 | 252,271                |
| Intangible assets                 | 10,000                 | 10,000                 |
|                                   | <b>801,315</b>         | 1,023,592              |
| Current assets                    |                        |                        |
| Prepayment and other receivables  | 316                    | 312                    |
| Bank balances                     | 719                    | 1,563                  |
|                                   | <b>1,035</b>           | 1,875                  |
| Current liabilities               |                        |                        |
| Other payables                    | 744                    | 509                    |
| Amounts due to subsidiaries       | 504,446                | 552,863                |
| Tax payable                       | 1,500                  | 931                    |
|                                   | <b>506,690</b>         | 554,303                |
| Net current liabilities           | <b>(505,655)</b>       | (552,428)              |
| Net assets                        | <b>295,660</b>         | 471,164                |
| Capital and reserves              |                        |                        |
| Share capital                     | 62,584                 | 62,584                 |
| Share premium and reserves (Note) | 233,076                | 408,580                |
| Total equity                      | <b>295,660</b>         | 471,164                |

**37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)**

Note:

|   | Share<br>premium<br><i>HK\$'000</i> | Capital<br>redemption<br>reserve<br><i>HK\$'000</i> | Contributed<br>surplus<br><i>HK\$'000</i> | Retained<br>profits<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|-------------------------------------|---|---|--|--------------------------|
| At 1 January 2020                                     | 6,521                               | 1,109   | 105,796                                   | 287,146                                | 400,572                  |
| Profit and total comprehensive<br>income for the year | –                                   | –   | –   | 142,563                                | 142,563                  |
| Dividend paid   | –                                   | –   | –   | (134,555)                              | (134,555)                |
| At 31 December 2020                                   | 6,521                               | 1,109   | 105,796                                   | 295,154                                | 408,580                  |
| Profit and total comprehensive<br>income for the year | –                                   | –   | –   | 21,635                                 | 21,635                   |
| Dividend paid   | –                                   | –   | –   | (197,139)                              | (197,139)                |
| At 31 December 2021                                   | 6,521                               | 1,109   | 105,796                                   | 119,650                                | 233,076                  |

**38. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

Particulars of the Company's principal subsidiaries at 31 December 2021 and 31 December 2020 are as follows:

| Name of subsidiary  | Place of<br>incorporation/<br>establishment/<br>operations | Nominal<br>value of issued<br>and paid up<br>share capital/<br>registered capital | Proportion of issued share/<br>registered capital<br>held by the Company |                 | Principal activities   |
|---|--|---|--|-----------------|--|
|   |  |   | 31.12.2021<br>%  | 31.12.2020<br>% |  |
| Dragon Trading Limited  | British Virgin<br>Islands/Hong<br>Kong                     | Ordinary<br>USD40,000   | 100  | 100             | Investment holding   |
| S.A.S. Microelectronics Company<br>Limited (Formerly known as<br>RSL Microelectronics Company<br>Limited) | Hong Kong  | Ordinary<br>HK\$500,000   | 100  | 100             | Distribution of electronic<br>products   |
| S.A.S. Electric<br>Company Limited  | Hong Kong  | Ordinary<br>HK\$1,000,000   | 100  | 100             | Distribution of home<br>appliances and business<br>equipment and provision<br>of related ancillary<br>services |
| S.A.S. Electronic<br>Company Limited  | Hong Kong  | Ordinary<br>HK\$1,000,000   | 100  | 100             | Distribution of<br>electronic products   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021



## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

| Name of subsidiary                              | Place of incorporation/<br>establishment/<br>operations | Nominal<br>value of issued<br>and paid up<br>share capital/<br>registered capital | Proportion of issued share/<br>registered capital<br>held by the Company |            | Principal activities                                |
|---|---|---|--|------------|---|
|   |   |   | 31.12.2021   | 31.12.2020 |   |
|   |   |   | %  | %          |   |
| S.A.S. Enterprises Company Limited              | Hong Kong   | Ordinary<br>HK\$100   | 100  | 100        | Distribution of<br>electronic products              |
|   |   | Non-voting<br>deferred*<br>HK\$1,000,000  | 100  | 100        |   |
| S.A.S. Investment Company Limited               | Hong Kong   | Ordinary<br>HK\$100   | 100  | 100        | Property and<br>investment holding                  |
|   |   | Non-voting<br>deferred*<br>HK\$1,000,000  | 100  | 100        |   |
| S.A.S. Lighting Company Limited                 | Hong Kong   | Ordinary<br>HK\$2   | 100  | 100        | Sales and contract work<br>of LED lighting products |
| LIM InfraSystems Company Limited                | Hong Kong   | Ordinary<br>HK\$1   | 100  | 100        | Sales and contract work<br>of LED display products  |
| SMartech Electronic Company Limited             | Hong Kong   | Ordinary<br>HK\$1,000,000   | 70   | 70         | Distribution of electronic<br>products              |
| Square Solution Limited                         | Hong Kong   | Ordinary<br>HK\$600   | 100  | 100        | Provision of digital out<br>of home advertising     |
| 時捷電子科技(深圳)有限公司**                                | The PRC   | Registered capital<br>HK\$200,000,000   | 100  | 100        | Distribution of electronic<br>products              |
| 時捷照明(深圳)有限公司**                                  | The PRC   | Registered capital<br>HK\$5,000,000   | 100  | 100        | Sales and contract work<br>of LED lighting products |
| Time Speed Technology Corporation<br>時擘科技股份有限公司 | Taiwan  | Registered capital<br>TWD50,000,000   | 100  | 100        | Distribution of electronic<br>products              |

\* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.

\*\* Foreign wholly-owned enterprise.

With the exception of Dragon Trading Limited and S.A.S. Investment Company Limited, all the subsidiaries are indirectly held by the Company.



**38. PARTICULARS OF PRINCIPAL SUBSIDIARIES** *(Continued)*

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

At the end of the reporting period, the Company had other subsidiaries that were not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

| Principal activities  | Principal place of business | Number of subsidiaries |            |
|---|-----------------------------|------------------------|------------|
|   |                             | 31.12.2021             | 31.12.2020 |
| Distribution of electronic components/<br>LED lighting and display products | Hong Kong                   | 11                     | 11         |
|   | PRC                         | 4                      | 4          |
|   | Taiwan                      | 1                      | 1          |
| Investment holding  | Hong Kong                   | 2                      | 2          |
|   | British Virgin Islands      | 6                      | 7          |
|   | Cayman Islands              | 1                      | 1          |
| Others  | Hong Kong                   | 13                     | 13         |
|   | PRC                         | 2                      | 2          |
|   | Others                      | 3                      | 3          |



## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

| Name of subsidiary  | Place of incorporation/<br>establishment/<br>operations | Proportion of ownership<br>interests and<br>voting rights held by<br>non-controlling interests |            | Profit allocated<br>to non-controlling<br>interests |          | Accumulated<br>non-controlling<br>interests |            |
|---|---|--|------------|---|----------|---|------------|
|   |   | 31.12.2021   | 31.12.2020 | 2021  | 2020     | 31.12.2021                                  | 31.12.2020 |
|   |   | %  | %          | HK\$'000  | HK\$'000 | HK\$'000                                    | HK\$'000   |
| SMartech Electronic<br>Company Limited                                    | Hong Kong   | 30   | 30         | 210,419   | 84,480   | 447,513                                     | 266,826    |
| Individually immaterial<br>subsidiaries with<br>non-controlling interests |   |  |            | 1,524   | 3,506    | 3,435                                       | 1,641      |
|   |   |  |            | <b>211,943</b>                                      | 87,986   | <b>450,948</b>                              | 268,467    |

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

|  | SMartech Electronic<br>Company Limited |                        |
|--|--|------------------------|
|  | 31.12.2021<br>HK\$'000                 | 31.12.2020<br>HK\$'000 |
| Current assets                               | 4,273,177                              | 3,298,353              |
| Non-current assets                           | 6,609                                  | 434                    |
| Current liabilities                          | (2,787,982)                            | (2,409,368)            |
| Non-current liabilities                      | (94)                                   | –                      |
| Equity attributable to owners of the Company | 1,044,197                              | 622,593                |
| Non-controlling interests                    | 447,513                                | 266,826                |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

### Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

|  | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|--|-------------------|------------------|
| Revenue  | <b>25,354,901</b> | 12,519,736       |
| Profit for the year  | <b>701,397</b>    | 281,600          |
| Profit attributable to owners of the Company                                       | <b>490,978</b>    | 197,120          |
| Profit attributable to the non-controlling interests                               | <b>210,419</b>    | 84,480           |
| Profit for the year  | <b>701,397</b>    | 281,600          |
| Other comprehensive income (expense) attributable to owners of the Company         | <b>626</b>        | (1,687)          |
| Other comprehensive income (expense) attributable to the non-controlling interests | <b>268</b>        | (723)            |
| Other comprehensive income (expense) for the year                                  | <b>894</b>        | (2,410)          |
| Total comprehensive income attributable to owners of the Company                   | <b>491,604</b>    | 195,433          |
| Total comprehensive income attributable to the non-controlling interests           | <b>210,687</b>    | 83,757           |
| Total comprehensive income for the year  | <b>702,291</b>    | 279,190          |
| Dividends paid to non-controlling interests  | <b>30,000</b>     | 30,000           |
| Net cash inflow from operating activities  | <b>93,532</b>     | 497,930          |
| Net cash (outflow) inflow from investing activities                                | <b>(17,838)</b>   | 327              |
| Net cash outflow from financing activities   | <b>(237,517)</b>  | (182,473)        |
| Net cash (outflow) inflow  | <b>(161,823)</b>  | 315,784          |



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

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

|                                      | <b>Lease<br/>liabilities</b> | <b>Dividend<br/>payable</b> | <b>Bank and<br/>other<br/>borrowings</b> | <b>Total</b>    |
|--------------------------------------|------------------------------|-----------------------------|--|-----------------|
|                                      | <i>HK\$'000</i>              | <i>HK\$'000</i>             | <i>HK\$'000</i>                          | <i>HK\$'000</i> |
| At 1 January 2020                    | 10,383                       | –                           | 2,138,029                                | 2,148,412       |
| Financing cash flows ( <i>note</i> ) | (10,505)                     | (134,555)                   | (157,613)                                | (302,673)       |
| Dividend declared                    | –                            | 134,555                     | –  | 134,555         |
| Interest expenses                    | 158                          | –                           | 48,849                                   | 49,007          |
| New leases entered                   | 1,867                        | –                           | –  | 1,867           |
| Termination of lease arrangements    | (440)                        | –                           | –  | (440)           |
| Exchange realignment                 | 22                           | –                           | 105                                      | 127             |
| At 31 December 2020                  | 1,485                        | –                           | 2,029,370                                | 2,030,855       |
| Financing cash flows ( <i>note</i> ) | (1,148)                      | (197,139)                   | 450,924                                  | 252,637         |
| Dividend declared                    | –                            | 197,139                     | –  | 197,139         |
| Interest expenses                    | 31                           | –                           | 34,099                                   | 34,130          |
| New leases entered                   | 425                          | –                           | –  | 425             |
| Exchange realignment                 | 5                            | –                           | 49                                       | 54              |
| At 31 December 2021                  | 798                          | –                           | 2,514,442                                | 2,515,240       |

*Note:* The cash flows represent the proceeds from and repayment of bank and other borrowings, dividend paid, lease payment and the interests paid in the consolidated statement of cash flows.



# Financial Summary

(Extracted from Respective Annual Report)

## RESULTS

|                                      | For the year ended 31 December |                  |                  |                  | 2021<br>HK\$'000  |
|--------------------------------------|--------------------------------|------------------|------------------|------------------|-------------------|
|                                      | 2017<br>HK\$'000               | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2020<br>HK\$'000 |                   |
| Revenue                              | 19,461,921                     | 25,273,864       | 18,402,901       | 20,164,341       | <b>35,297,778</b> |
| Profit before tax                    | 424,291                        | 459,987          | 404,403          | 419,454          | <b>1,109,018</b>  |
| Income tax expense                   | (67,509)                       | (90,165)         | (87,406)         | (69,571)         | <b>(183,884)</b>  |
| Profit for the year                  | 356,782                        | 369,822          | 316,997          | 349,883          | <b>925,134</b>    |
| Profit for the year attributable to: |                                |                  |                  |                  |                   |
| Owners of the Company                | 303,003                        | 313,095          | 236,435          | 261,897          | <b>713,191</b>    |
| Non-controlling interests            | 53,779                         | 56,727           | 80,562           | 87,986           | <b>211,943</b>    |
|                                      | 356,782                        | 369,822          | 316,997          | 349,883          | <b>925,134</b>    |

## ASSETS AND LIABILITIES

|                           | At 31 December   |                  |                  |                  | 2021<br>HK\$'000   |
|---------------------------|------------------|------------------|------------------|------------------|--------------------|
|                           | 2017<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2020<br>HK\$'000 |                    |
| Total Assets              | 6,286,815        | 6,608,436        | 5,612,771        | 7,282,482        | <b>9,333,949</b>   |
| Total Liabilities         | (4,832,960)      | (4,918,093)      | (3,778,217)      | (5,158,258)      | <b>(6,490,662)</b> |
| Net Assets                | 1,453,855        | 1,690,343        | 1,834,554        | 2,124,224        | <b>2,843,287</b>   |
| Equity attributable to:   |                  |                  |                  |                  |                    |
| Owners of the Company     | 1,316,562        | 1,534,005        | 1,622,350        | 1,855,757        | <b>2,390,346</b>   |
| Non-controlling interests | 137,293          | 156,338          | 212,204          | 268,467          | <b>452,941</b>     |
| Total Equity              | 1,453,855        | 1,690,343        | 1,834,554        | 2,124,224        | <b>2,843,287</b>   |

Note: The Group has retrospectively applied HKFRS 9 and HKFRS 15 at 1 January 2018 and HKFRS 16 at 1 January 2019 without restatement of comparative figures.





| Location   | Lot No.   | Use        |
|--|---|------------|
| Units 1 and 2 on Ground Floor and Carparking spaces Nos. B20, B21 and B22 on Basement Floor, Peninsula Square, Sung On Street, Hunghom, Kowloon, Hong Kong | 11743/588444 share of Kowloon Inland Lot No. 10985                                | Commercial |
| Unit No. 1 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong  | 30/12841 share of the remaining portion of section O of Kowloon Marine Lot No.40  | Commercial |
| Unit No. 2 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong  | 29/12841 share of the remaining portion of section O of Kowloon Marine Lot No.40  | Commercial |
| Unit No. 3 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong  | 29/12841 share of the remaining portion of section O of Kowloon Marine Lot No.40  | Commercial |
| Unit No. 4 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong  | 29/12841 share of the remaining portion of section O of Kowloon Marine Lot No.40  | Commercial |
| Unit No. 5 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong  | 21/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40 | Commercial |
| Unit No. 6 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong  | 14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40 | Commercial |
| Unit No. 7 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong  | 14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40 | Commercial |
| Unit No. 12 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong   | 14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40 | Commercial |

# S&B Particulars of Investment Properties

| Location  | Lot No.  | Use        |
|---|--|------------|
| Unit No. 13 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong          | 13/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40  | Commercial |
| Unit No.14 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong           | 26/12841 share of the remaining position of section O of Kowloon Marine Lot No. 40 | Commercial |
| Unit No.15 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong           | 20/12841 share of the remaining position of section O of Kowloon Marine Lot No. 40 | Commercial |
| Unit No.9-10 on 11th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong        | 36/12841 share of the remaining position of section O of Kowloon Marine Lot No. 40 | Commercial |
| Unit No.8 on 11th Floor of Tower A, Hunghom Commercial Centre, No. 39 Ma Tau Wai Road, Kowloon, Hong Kong           | 25/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40  | Commercial |
| Unit 1212 on 12th Floor, Harbour Crystal Centre, No. 100 Granville Road, Kowloon, Hong Kong                         | 12/3100 share of Kowloon Inland Lot No. 10600                                      | Commercial |
| Yuquan Industrial Estate, Xingye Road, Fenggang Town, Dongguan, the PRC   | Dong Fu Guo Yung (2010) De Te No. 361  | Industrial |
| Unit No.1, 2, 3, 5, 6 and 7 on 29th Floor of Tower 1, Phase 2 of KK One North, Binhe Road, Futian Shenzhen, the PRC | Yue (2020) Shenzhen Real Estate Right No. 0132937                                  | Commercial |
| 5F, G&H, Gemstar Tower No. 23 Man Lok Street, Kowloon, Hong Kong  | 4836/691680 share of Hunghom Island Lot No. 45                                     | Commercial |

The Group has 100% interest in the above properties.