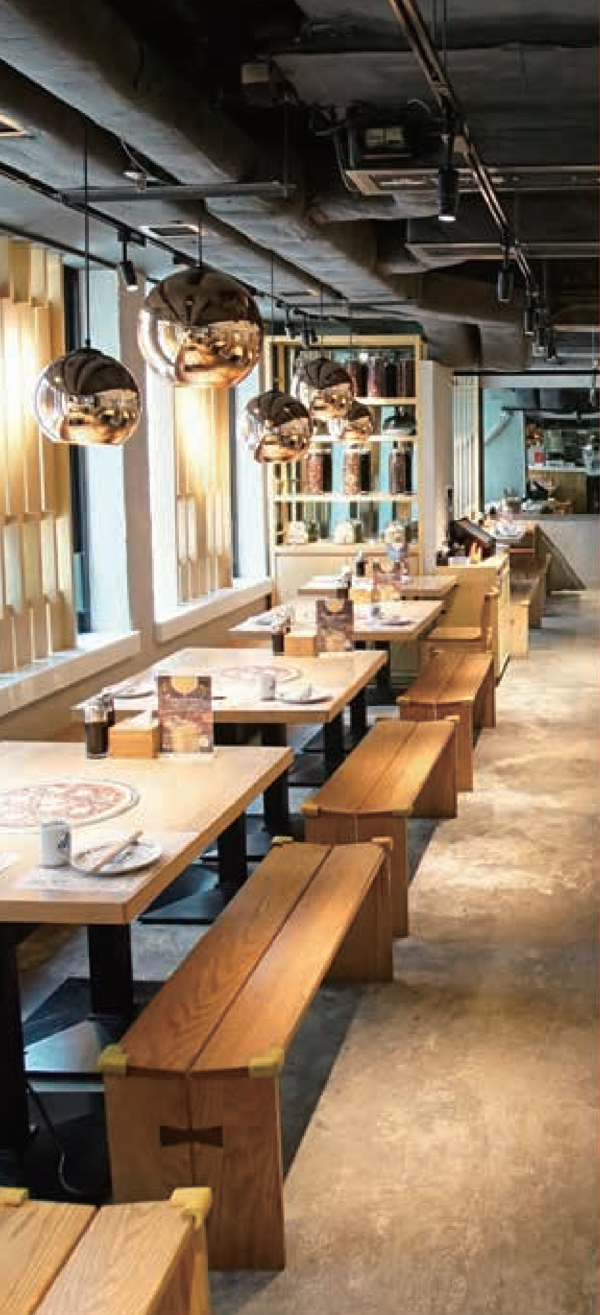
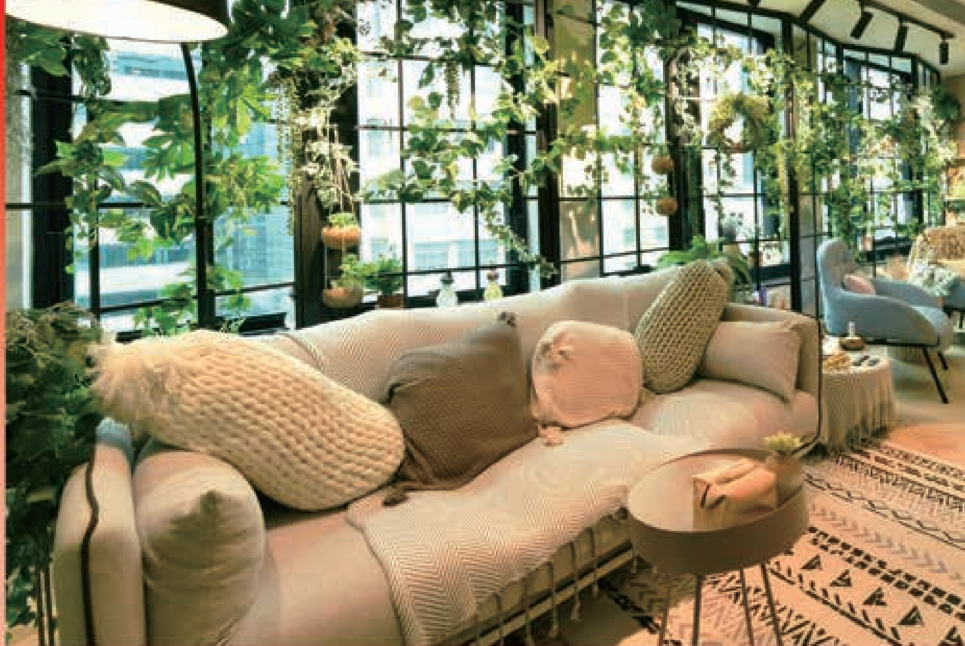
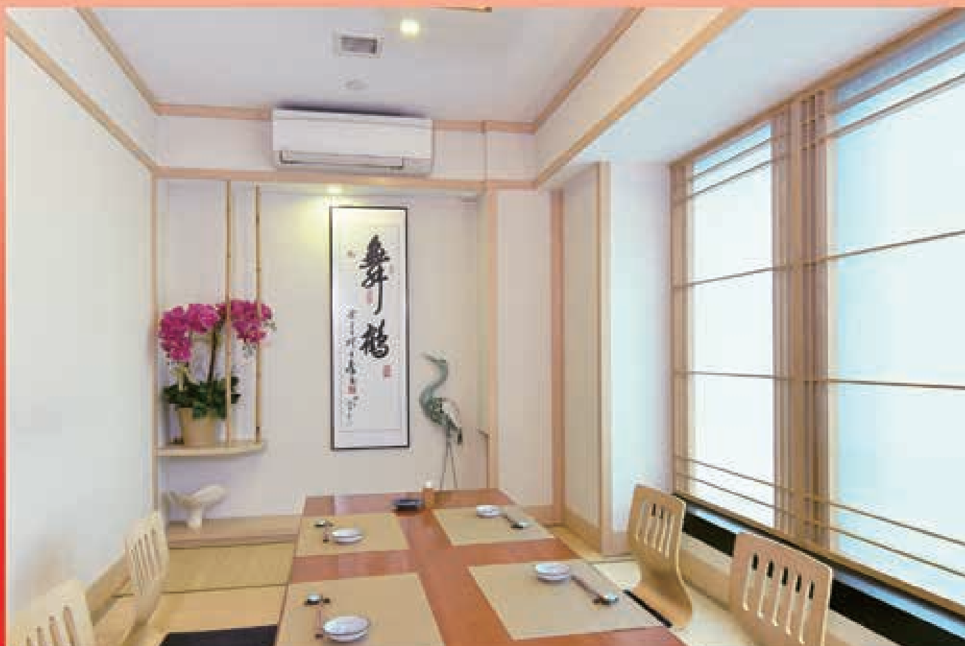
Zhongchang International Holdings Group Limited
中昌國際控股集團有限公司

(Incorporated in Bermuda with limited liability)
Stock code：859

ANNUAL REPORT 2021



Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Chen Zhiwei *(Chairman)*
(resigned as chief executive officer and appointed as the chairman on 15 January 2021)
Ms. Ku Ka Lee *(Chief executive officer)*
(re-designated as executive director and appointed as chief executive officer on 15 January 2021)
Mr. Tang Lunfei
Mr. Ma Yilin *(Chairman) (resigned on 15 January 2021)*
Ms. Huang Limei *(resigned on 12 May 2021)*

Non-executive directors

Dr. Huang Qiang
Mr. Wong Chi Keung, Kenjie *(appointed on 26 February 2021)*
Ms. Yu Dan *(appointed on 12 May 2021)*
Ms. Ku Ka Lee *(appointed on 6 January 2021 and re-designated as executive director on 15 January 2021)*
Mr. Wang Xin *(resigned on 6 January 2021)*

Independent non-executive directors

Mr. Liew Fui Kiang
Mr. Liu Xin *(appointed on 12 May 2021)*
Mr. Yip Tai Him
Mr. Wong Sai Tat *(resigned on 26 February 2021)*
Mr. Wong Wai Leung *(resigned on 12 May 2021)*

COMMITTEES

Audit Committee

Mr. Yip Tai Him *(Chairman)*
Mr. Liu Xin *(appointed on 12 May 2021)*
Ms. Yu Dan *(appointed on 12 May 2021)*
Dr. Huang Qiang *(resigned on 12 May 2021)*
Mr. Wong Wai Leung *(resigned on 12 May 2021)*

Nomination Committee

Mr. Chen Zhiwei *(Chairman) (appointed on 15 January 2021)*
Mr. Liew Fui Kiang
Mr. Liu Xin *(appointed on 12 May 2021)*
Mr. Ma Yilin *(Chairman) (resigned on 15 January 2021)*
Mr. Wong Wai Leung *(resigned on 12 May 2021)*

Remuneration Committee

Mr. Liu Xin *(Chairman) (appointed on 12 May 2021)*
Mr. Wong Chi Keung, Kenjie
(appointed on 26 February 2021)
Mr. Yip Tai Him *(appointed on 26 February 2021)*
Mr. Wong Wai Leung *(Chairman) (resigned on 12 May 2021)*
Ms. Huang Limei *(resigned on 26 February 2021)*
Mr. Wong Sai Tat *(resigned on 26 February 2021)*

AUTHORISED REPRESENTATIVES

Mr. Chen Zhiwei
Mr. Chow Hok Lim

COMPANY SECRETARY

Mr. Chow Hok Lim

AUDITOR

Ernst & Young
Certified Public Accountants
(appointed on 15 January 2021)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1711
Tower 2 Times Square
1 Matheson Street
Causeway Bay
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

(In Alphabetical order)

Bank of China Limited
Bank of Shanghai Co., Limited
Hang Seng Bank Limited
Nanyang Commercial Bank (China), Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISERS

As to Hong Kong law:
Morgan, Lewis & Bockius
King & Wood Mallesons

As to Bermuda law:
Conyers Dill & Pearman

As to PRC law:
King & Wood Mallesons

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
Cedar House
41 Cedar Avenue
Hamilton, HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE WEBSITE

http://www.zhongchangintl.hk

STOCK CODE

859

Corporate Profile

Zhongchang International Holdings Group Limited (hereinafter referred to as the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") is currently and principally engaged in property investment and leasing in Hong Kong. During the year ended 31 December 2021 ("**Reporting Period**" or "**FY2021**"), the Group also engaged in the property development in the People's Republic of China (the "**PRC**") up to 25 September 2021, which was discontinued upon completion of the sale of Shanghai Yuexin Enterprise Management Consultancy Co., Limited* (上海岳信企業管理諮詢有限公司) ("**Shanghai Yuexin**") and its sole subsidiary, Zhenjiang Tiangong Yijingyuan Real Estate Co., Limited* (鎮江天工頤景園房地產有限公司) ("**Zhenjiang Tiangong**", together with Shanghai Yuexin, the "**Shanghai Yuexin Group**") on 26 September 2021.

The board (the "**Board**") of directors (the "**Directors**", and each, a "**Director**") of the Company will continue to drive the performance of its core business at a steady pace in order to create value for the Company and the shareholders of the Company (the "**Shareholders**").

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the Reporting Period.

In 2021, China achieved remarkable results in coordinating economic growth and pandemic prevention and control, and its macro-economy continued to recover steadily and maintained a steady upward trend. China's gross domestic products ("**GDP**") grew by 8.1% over the previous year. The economic growth rate was ahead among the world's major economies. However, since the second half of the year, the property regulatory policies in the PRC, especially in terms of capital and property prices, have been comprehensively tightened and the real estate industry deleveraged in all aspects. Some real estate enterprises began to suffer from domestic and foreign debt repayment crises and broke their capital supply chains. This led to a strong wait-and-see sentiment in the real estate market and a gradual weakening of demand in the PRC.

Despite lingering concerns posed by China-US geopolitical tensions and intermittent COVID-19 outbreak resurgences, Hong Kong economy enjoyed a modest revival in 2021 with an annual GDP growth of 6.4%. However, the impact of COVID-19 continued to be felt across all of the Group's property leasing business in Hong Kong and the operating environment remained challenging in 2021. Visitor arrivals in Hong Kong plummeted by approximately 97.4% to approximately 91,398 visitors in aggregate for FY2021, which impacted the retail sector, especially those depended on tourists. The further recovery of the retail sectors in Hong Kong still depends on the return of visitors from Mainland China and overseas.

The economic outlook for the year of 2022 remains uncertain, following the emergence of the highly transmissible Omicron variant in Hong Kong. It remains uncertain on the duration and extent of the ongoing COVID-19 related restrictions in Hong Kong and its impact on the Group's operations. However, as most of the investment properties of the Group are situated in the prime shopping district of Causeway Bay in Hong Kong, the Group believes it remains well-placed to serve consumer growth for a post COVID-19 recovery. The Group will continue to refine the diverse-trade tenants mix and to develop strong relationships with its tenants.

Under the impact of ongoing uncertainties, the Group's priorities in operation are to maintain stable growth and to act with prudence. The Group will continue to drive the performance of core businesses at a steady pace, to enhance the financial position of the Group and to lay a defensive and solid foundation for the Group's sustainable growth.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all fellow directors and staff for their dedication and contribution, and to the Shareholders and business partners for their continuous support.

Chen Zhiwei
Chairman
Hong Kong, 29 March 2022

Management Discussion and Analysis

REVIEW OF OPERATIONS

Property leasing business

During FY2021, the Group recorded rental income from investment properties in Hong Kong of approximately HK$36.6 million, which represented a slight decrease of approximately 1.1% from HK$37.0 million recorded in the year ended 31 December 2020 ("**FY2020**"). The Group's overall rental reversion on renewals and new lettings remained constant in FY2021 as compared to FY2020.

As at 31 December 2021, the investment property portfolio of the Group achieved an occupancy rate (as measured by the percentage of total lettable area leased over the total lettable area of the Group's portfolio) of approximately 94.7% (31 December 2020: approximately 90.7%). Jardine Center remained as the Group's core and steady income generator, accounted for approximately 82.1% of the total revenue of the Group during FY2021.

The Group's revenue growth and occupancy rate are the key measurements used for the assessment of its core leasing business performance. Cost effectiveness is assessed by the Group's management using the property expenses ratio (as a percentage of turnover). Set out below is a table summarising the key performance indicators for the Group's property leasing business in Hong Kong for FY2020 and FY2021.

		Business performance	
Key performance indicators	**Definition**	**FY2021**	FY2020
Revenue growth	Rental revenue in current year vs the previous year	**–1.1%**	–5.6%
Occupancy rate	Percentage of total lettable area leased/total lettable area at year-end	**94.7%**	90.7%
Property expenses ratio	Property expenses divided by turnover	**15.5%**	11.3%

In 2021, the Group remained focused on further bolstering the resilience of its core business of property leasing in Hong Kong, particularly in Causeway Bay, in order to preserve its long-term competitiveness and ensure sustainable development in this challenging market. The investment properties of the Group are mainly situated in the prime shopping district of Causeway Bay in Hong Kong and the Group has continued to refine the diverse-trade tenants mix.

Management Discussion and Analysis

Management Discussion and Analysis

The table below sets out a summary of the valuation of the investment properties portfolio of the Group in Hong Kong as at the end of FY2020 and FY2021 and revenue contribution of the investment properties portfolio of the Group in Hong Kong in FY2021 as compared to that in FY2020:

	Valuation of investment properties as at 31 December		Decrease in fair value of investment properties	Revenue for		Increase/ (decrease) in revenue
	2021	2020		**FY2021**	FY2020	
	HK$'000	HK$'000	**HK$'000**	**HK$'000**	HK$'000	**%**
Causeway Bay						
Jardine Center, No.50 Jardine's Bazaar[1]	**1,430,000**	1,450,000	20,000	**30,049**	27,690	8.5
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar[2]	**91,000**	95,000	4,000	**–**	2,159	(100.0)
First Floor, Nos.38 and 40 Jardine's Bazaar[2]	**13,300**	14,000	700	**444**	491	(9.6)
Ground Floor including Cockloft, No.41 Jardine's Bazaar[2]	**121,000**	126,000	5,000	**2,673**	2,834	(5.7)
Ground Floor, No.57 Jardine's Bazaar[2]	**122,000**	128,000	6,000	**2,595**	2,836	(8.5)
Mid-Levels						
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road[2]	**50,000**	50,000	–	**833**	980	(15.0)
Total	**1,827,300**	1,863,000	35,700	**36,594**	36,990	(1.1)

Notes:

(1) Ginza-style building
(2) Street-shop

As at 31 December 2021, the investment properties of the Group were revalued at HK$1,827.3 million (31 December 2020: HK$1,863.0 million) by an independent professional valuer. During FY2021, the loss in fair value of investment properties of HK$35.7 million (FY2020: HK$58.6 million) was recognised in the consolidated statement of profit or loss and other comprehensive income. The loss in fair value of investment properties was mainly due to the general market sentiment from the continuing impact of COVID-19 pandemic in Hong Kong.

Property development business

For the property development business in the PRC, the Group had one property development project through a wholly-owned subsidiary, Zhenjiang Tiangong in Zhenjiang, Jiangsu Province, the PRC, known as Phase II of Nanshan Qianshuiwan (南山淺水灣) (the "**Zhenjiang Project**"), which was disposed by the Group through the sale of Shanghai Yuexin on 26 September 2021. Subsequent to the completion of the disposal of the Shanghai Yuexin Group, the Group no longer engaged in the property development business.

The Group is also interested in another property development project through an associate of the Company, namely, Yitai International (BVI) Holdings Limited ("**Yitai**"), which holds 99% indirect equity interest in Jinhua Mingrui Real Estate Development Co., Ltd.* (金華銘瑞房地產開發有限公司) ("**Jinhua Mingrui**") in Jinhua City, Zhejiang Province, the PRC (the "**Jinhua Project**").

The Zhenjiang Project

The Zhenjiang Project is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai. It is planned to be developed into a mixed-used residential and commercial development with total planned gross floor area ("**GFA**") of approximately 160,000 square metres ("**sq.m.**"), including residential area of approximately 151,700 sq.m., commercial area of approximately 3,900 sq.m. and ancillary area of approximately 2,400 sq.m..

As at 25 September 2021, being the last day that the Group held interest in the Zhenjiang Project, 238 residential units out of total 1,132 units of the Zhenjiang Project (31 December 2020: 131 residential units out of total 1,132 units), were presold and proceeds from presale of the residential units amounted to approximately RMB283.2 million (equivalent to approximately HK$341.3 million) (31 December 2020: approximately RMB125.3 million (equivalent to approximately HK$148.9 million)).

As at 25 September 2021, the carrying value of the Zhenjiang Project (excluding 8 sets of completed properties held by Zhenjiang Tiangong) was approximately RMB552.0 million (equivalent to approximately HK$665.3 million) (31 December 2020: approximately RMB507.4 million (equivalent to approximately HK$602.9 million)).

Disposal of the Zhenjiang Project through the disposal of the Shanghai Yuexin Group

As disclosed in the interim report of the Company for the six months ended 30 June 2021 ("**2021 Interim Report**"), Agile Scene Limited ("**Agile Scene**"), a wholly-owned subsidiary of the Company, exercised the put option pursuant to the terms of the sale and purchase agreement dated 9 December 2018 for the sale and purchase of the entire interest in High Morality Limited ("**High Morality**") entered into between Agile Scene as purchaser and Sanshenghongye (BVI) Holdings Limited ("**Sansheng BVI**") as the vendor. A put option notice was sent to Sansheng BVI and Shanghai Sansheng Real Estate (Group) Company Limited* (上海三盛房地產(集團)有限責任公司) ("**Sansheng Real Estate**") as the guarantor on 5 January 2021 after obtaining the shareholders' approval at the special general meeting of the Company held on 5 January 2021 to the exercise of the put option (the "**Put Option**") to require Sansheng BVI and Sansheng Real Estate to acquire all the issued share of High Morality immediately before the completion of the put option and the outstanding loan (if any) owed by any of High Morality and its subsidiaries (the "**High Morality Group**") to Agile Scene immediately before the completion of the Put Option. On 6 January 2021, the Company received a response from Sansheng BVI and Sansheng Real Estate that (i) neither Sansheng BVI nor Sansheng Real Estate would be able to settle the consideration for the exercise of the Put Option, and (ii) the Company could sell all or part of High Morality, or High Morality Group as the Company and Agile Scene deems fit.

As disclosed in the announcements of the Company dated 25 June 2021 and 10 August 2021, the Company was exploring other opportunities to realise its investment in the Zhenjiang Project since receiving the response from Sansheng BVI and Sansheng Real Estate on 6 January 2021. On 25 June 2021, the public tender process (the "**Public Tender**") was commenced via the Shanghai United Assets and Equity Exchange* (上海聯合產權交易所有限公司) (the "**Shanghai UAEE**") to dispose of the 100% equity interest in Shanghai Yuexin. The bidding period of the Public Tender ended on 22 July 2021. On 26 July 2021, Shanghai UAEE informed the Company that there was one successful bidder, Pujiang Jiaze Enterprise Management Co., Ltd.* (浦江嘉澤企業管理有限公司) ("**Pujiang Jiaze**"), an independent third party. On 10 August 2021, Zhoushan Mingyi Cultural Assets Investments Co., Ltd* (舟山銘義文化產業投資有限公司) ("**Zhoushan Mingyi**") as the vendor and Pujiang Jiaze as the successful bidder and purchaser, entered into an equity transfer agreement for the sale and purchase of the entire equity interests of Shanghai Yuexin (together with its sole subsidiary, Zhenjiang Tiangong), together with certain assets held and liabilities owned by Shanghai Yuexin Group at a consideration of RMB1,000,000 (equivalent to approximately HK$1,205,000) (the "**Yuexin Equity Transfer Agreement**"). On the same day, Zhoushan Mingyi, Pujiang Jiaze, Shanghai Yuexin and Zhenjiang Tiangong entered into supplemental agreements supplementing the terms of the Yuexin Equity Transfer Agreement setting out the details of, among others, the right to legal recourse on the part of Zhoushan Mingyi regarding certain loans and other amounts due from Shanghai Yuexin Group to the Group amounting to RMB354.0 million comprising RMB183.5 million of shareholder's loan and RMB170.5 million of prepaid construction costs made by Zhenjiang Tiangong to the main contractor for the Zhenjiang Project (the "**Prepaid Construction Costs**") suspected to have been dissipated by Shanghai Sansheng (the "**Dissipated Funds**") (the "**Yuexin Supplemental Agreements**"). The consideration of RMB1.0 million was the minimum consideration as it was the initial bidding price indicated in the Public Tender. The conditions precedent to the completion were fulfilled on 26 September 2021 and the disposal of the Shanghai Yuexin Group was completed at the same date. The gain of the disposal of the Zhenjiang Project recognised was approximately HK$415.0 million.

For details, please refer to the Company's announcements dated 16 September 2020, 9 and 23 October 2020, 30 November 2020, 5 January 2021, 6 January 2021, 19 February 2021, 25 June 2021 and 10 August 2021, the circulars of the Company dated 14 December 2020 and 17 September 2021, and the 2021 Interim Report.

Updates on the Special Investigation Committee

As disclosed in the announcement of the Company dated 15 January 2021 and the 2021 Interim Report, a special investigation committee of the Board (the "**Special Investigation Committee**" or "**SIC**") has been established to investigate and report on various matters and events leading to and/or otherwise relating to (i) the civil claim from two individual plaintiffs whereby Shanghai Yuexin and Zhenjiang Tiangong, were named as the first defendant and third defendant, respectively and Sansheng Real Estate, an independent third party of the Company, as the second defendant (the "**Civil Claim**") in relation to the alleged breach of contract of an equity transfer agreement dated 2 December 2017 alleged to be entered into among others, Shanghai Yuexin as purchaser, Zhenjiang Tiangong as the target company, Sansheng Real Estate as a purchaser's guarantor, and the plaintiffs as the vendors for the sale and purchase of the entire equity interest in Zhenjiang Tiangong (the "**Alleged Zhenjiang Tiangong SPA**"). The Civil Claim was withdrawn by the plaintiffs on 20 November 2020; and (ii) the Dissipated Funds.

For details of the Civil Claim, please refer to the Company's announcements dated 15 October 2020, 20 November 2020, 23 November 2020 and 15 January 2021, and the circular of the Company dated 14 December 2020. For details of the Dissipated Funds, please refer to the Company's announcement dated 16 October 2020, the circular of the Company dated 14 December 2020 and the 2021 Interim Report.

As disclosed in the announcement of the Company dated 31 March 2021 (the "**SIC Preliminary Findings Announcement**") and the 2021 Interim Report, based on the preliminary investigation results and/or advice of the PRC counsel to the Company for the investigation, it was found that, among others, (i) due to the withdrawal of the Civil Claim, it is uncertain which sale and purchase agreement reflects the true intention of the parties when the acquisition of Zhenjiang Tiangong was negotiated; and (ii) the Prepaid Construction Costs were made without following the internal procedures of the Group.

As further disclosed in the announcement of the Company dated 1 November 2021 (the "**SIC Final Findings Announcement**"), based on the final investigation results and/or advice of the PRC counsel to the Company for the investigation, it was found and/or recommended that, among others, (i) as completion of the disposal of the Shanghai Yuexin Group pursuant to the Yuexin Equity Transfer Agreement took place on 26 September 2021; the Group ceased to bear the legal risks in relation to the entry into of the Alleged Zhenjiang Tiangong SPA (which was allegedly entered into in December 2017 prior to the acquisition of Shanghai Yuexin Group by the Group in March 2019); and (ii) in relation to the Prepaid Construction Costs, the Group was recommended to file criminal reports with the relevant PRC authorities against the then controller, directly responsible person and/or person-in-charge of Zhenjiang Tiangong for suspected misappropriation of money and duty embezzlement and cooperate with PRC authorities regarding such criminal proceedings going forward, with the cooperation of Shanghai Yuexin, Zhenjiang Tiangong and the Purchaser.

For further details, please refer to the SIC Preliminary Findings Announcement, the SIC Final Findings Announcement and 2021 Interim Report.

The Jinhua Project

The Company is interested in 49% of the issued share capital of Yitai, together with its subsidiaries, (the "**Yitai Group**"), a company which holds 99% indirect equity interest in Jinhua Mingrui. The Jinhua Project comprises a mixed-use residential and commercial complex in two phases with a total GFA of approximately 337,530 sq.m., including residential area of approximately 195,100 sq.m., commercial area of approximately 50,200 sq.m. and basement (inclusive of car parking spaces) of approximately 88,600 sq.m. Both phases of the Jinhua Project were completed in 2020.

As at 31 December 2021, all residential units, 2,085 car parking spaces out of total 2,267 car parking spaces, 56 offices and 8 retail shops (31 December 2020: all residential units, 972 car parking spaces out of total 2,267 car parking spaces, 24 offices and one retail shop) of the Jinhua Project were presold. On 7 January 2021, Jinhua Mingrui further obtained the second Filing Form for Acceptance and Examination upon Completion of Construction Project* (建築工程竣工驗收備案表) (the "**Filing Form**") for phase II of the Jinhua Project issued by Local Urban Construction Bureau of the PRC* (中國地方城市建設局). After obtaining this Filing Form, from which the physical possession and the legal title of the completed properties can be transferred to purchasers, revenue is recognised when the control of the property is transferred. During FY2021, approximately RMB979.9 million from phase I and phase II was recognised as revenue by Yitai (FY2020: approximately RMB856.3 million). Among which, all residential units, 8 units of retail shops and 43 units of offices from phase I and phase II were transferred to the relevant purchasers during the Reporting Period.

The Group's associate, namely, Yitai, recorded loss of approximately HK$254.6 million for FY2021 (FY2020: loss of approximately HK$134.7 million). The Group did not resume to share of profits of Yitai even it recorded a profit during FY2021 as there were cumulative unrecognised share of losses of this associate amounted to approximately HK$237.5 million as at 31 December 2021. The Group will only resume recognising its share of profits in Yitai only after its share of the profits equals the share of losses not recognised.

FINANCIAL REVIEW

Revenue

For FY2021, the revenue of the Group amounted to approximately HK$36.6 million, representing a slight decrease of approximately 1.1% from approximately HK$37.0 million in FY2020. All of the Group's revenue for FY2020 and FY2021 were gross rental income from investment properties in Hong Kong.

Other income, net

Other income for FY2021 was approximately HK$0.4 million (FY2020: approximately HK$11.7 million), representing a decrease of approximately 96.6% or approximately HK$11.3 million recorded in FY2020. The decrease was mainly due to (i) a significant decrease in net exchange gain recognised in FY2021 as compared to FY2020 of approximately HK$4.4 million as the functional currency certain of the Group's subsidiaries was in Renminbi whereas the reporting currency of the Group was in Hong Kong dollars; and (ii) fair value loss of financal assets at fair value through profit or loss of approximately HK$6.0 million during FY2021.

Staff costs

For FY2021, the Group's staff costs amounted to approximately HK$7.8 million, representing a decrease of approximately 31.0% from approximately HK$11.3 million recorded in FY2020. The decrease in staff costs was mainly due to departures of certain senior management staff in late June 2020 in which the related staff costs were absent during FY2021.

Other operating expenses

Other operating expenses amounted to approximately HK$14.7 million for FY2021, representing a decrease of approximately 28.3% from approximately HK$20.5 million recorded in FY2020. The composition of other operating expenses by nature mainly classified as follows:

	FY2021 **HK$'000**	FY2020 HK$'000
Investment properties operating cost	**5,655**	4,186
Professional fees	**5,681**	11,218
General administrative costs	**3,352**	5,122
Total	**14,688**	20,526

Investment properties operating cost mainly comprised of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. The increase of investment properties operating cost of approximately HK$1.5 million was primarily due to (i) significant increase in repair and maintenance works of Jardine Centre; and (ii) increase in new lettings, leading to expenses increased as compared to FY2020.

Professional fees decreased by approximately HK$5.5 million or 49.1% in FY2021 as compared to FY2020. The decrease was mainly attributable to (i) substantial decrease in auditor's remuneration; and (ii) absence of professional fees arising from mandatory unconditional general offer and major transactions during FY2020.

Share of results of an associate

The associate of the Group, Yitai, recorded a loss of approximately HK$254.6 million during FY2021 (FY2020: loss of approximately HK$134.7 million). The share of net loss of associates is restricted to the Group's entire interest in an associate, the carrying amount of the investment of an associate was reduced to nil since the financial year ended 31 December 2019. Hence, the Group has no obligation to take up further losses.

Net loss in fair value of investment properties

As at 31 December 2021, the investment properties of the Group were revalued at HK$1,827.3 million (31 December 2020: HK$1,863.0 million) by an independent professional valuer. During FY2021, a fair value loss on investment properties of HK$35.7 million was recognised in the consolidated statement of profit or loss and other comprehensive income. The fair value loss on the investment properties was primarily due to the continuing impact from the COVID-19 pandemic including the travel restrictions remained, social distancing measures did not fully relaxed and that the consumer sentiment remained low despite gradual recovery.

Gain on disposal of subsidiaries

In FY2021, the Group recorded a one-time gain on disposal of subsidiaries (namely, the disposal of Shanghai Yuexin Group) amounted to approximately HK$415.0 million (FY2020: approximately HK$8.4 million for the disposal of 杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd*) in FY2020). Such gain was derived from the consideration of RMB1.0 million (equivalent to approximately HK$1.2 million) and less: (i) net liabilities of Shanghai Yuexin Group of approximately HK$414.8 million; and (ii) exchange realignment of approximately HK$1.0 million on the date of completion of the disposal of Shanghai Yuexin Group.

Finance costs

For FY2021, finance costs of the Group amounted to approximately HK$18.9 million, representing a decrease of approximately 35.5% from approximately HK$29.3 million as compared to FY2020. The decrease was mainly attributable to (i) repayment of other borrowings of HK$50.0 million; and (ii) partial repayment of bank borrowings during FY2021.

Impairment losses under the expected credit loss model

The impairment losses for certain financial assets under the expected credit loss model for FY2021 was approximately HK$0.6 million (FY2020: nil). The increase was mainly driven by the ruined credit rating of these certain financial assets, in particular, property project management service receivables of approximately HK$0.6 million.

Profit/(loss) for the year attributable to the owners of the Company

As a result of the reasons mentioned above, net profit attributable to the owners of the Company for FY2021 amounted to approximately HK$246.3 million (FY2020: net loss of approximately HK$181.1 million).

Shanghai Aijian loan facilities

References are made to the announcements of the Company dated 14 February 2020, 13 May 2020, 15 May 2020 and 21 May 2020, and the circular of the Company dated 21 April 2020 relating to the demand letters received from Shanghai Aijian Trust Co., Limited ("**Shanghai Aijian**") for certain outstanding loan facilities taken out by Shanghai Yuexin and Zhenjiang Tiangong. In summary, the loan facilities were granted by Shanghai Aijian to Shanghai Yuexin and Zhenjiang Tiangong in 2019. Shanghai Yuexin and Zhenjiang Tiangong had drawn down from the loan facilities a total principal amount of RMB469.4 million, of which RMB398.4 million bears interest at a rate of 11% per annum and RMB71.0 million bears interest at a rate of 23% per annum. Interests accrued are payable in arrears on a quarterly basis and the principal amount shall be repayable in full on 13 February 2020.

On 20 May 2020, the Company received notices from Shanghai Aijian notifying Shanghai Yuexin and Zhenjiang Tiangong, respectively, that, among others, the aggregate demanding repayment of the loan facilities (including outstanding principal interest accrued and penalty interest payable). As disclosed in the announcement of the Company dated 27 January 2021, Shanghai Yuexin, Zhenjiang Tiangong, Zhoushan Mingtai Property Management Co., Limited ("**Zhoushan Mingtai**") and Shanghai Aijian entered into the renewal agreements, pursuant to which Shanghai Aijian agreed to renew the loan facilities such that the final maturity date of the facilities has been extended to 13 February 2022. Subsequent to the completion of the disposal of the Shanghai Yuexin Group, the loan with Shanghai Aijian was transferred to Pujian Jiaze along with the Shanghai Yuexin Group.

Please refer to the announcements of the Company dated 14 February 2020, 13, 15 and 21 May 2020, and 27 January 2021 and circulars of the Company dated 21 April 2020 and 17 September 2021 for further details.

Liquidity and financial resources

The Group's business operations were generally funded by its internal resources and bank and other borrowings. As at 31 December 2021, the Group's outstanding bank and other borrowings amounted to approximately HK$857.8 million (31 December 2020: approximately HK$1,604.8 million), of which all outstanding secured bank and other borrowings are repayable on demand as of 31 December 2021. The decrease in bank and other borrowings during FY2021 was mainly attributable to (i) repayment of bank and other borrowings of approximately HK$192.0 million; and (ii) derecognition of other borrowings of approximately HK$565.7 million upon completion of disposal of Shanghai Yuexin Group during FY2021.

As at 31 December 2021, the Group maintained bank balances and cash of approximately HK$136.6 million (31 December 2020: approximately HK$356.1 million). The decrease in cash and bank balances was mainly attributable to (i) repayment of bank and other borrowings; and (ii) completion of disposal of Shanghai Yuexin Group during FY2021.

The Group's gearing ratio as at 31 December 2021, which is calculated on the basis of total liabilities over total assets, was approximately 45.3% (31 December 2020: approximately 71.3%), the decrease in gearing ratio was mainly due to the completion of disposal of Shanghai Yuexin Group during FY2021, whereby the loan facilities with Shanghai Aijian was transferred to Pujian Jiaze along with Shanghai Yuexin Group. The current ratio of the Group, which is calculated by dividing current assets over current liabilities as at 31 December 2021, was approximately 0.16 (31 December 2020: approximately 0.5).

As at 31 December 2021, the Group recorded net current liabilities of approximately HK$732.3 million (31 December 2020: approximately HK$1,019.1 million). The net current liabilities was mainly due to a technical breach of a financial covenant of the Hang Seng Bank Limited ("**HSB**") loans. The Board is of the opinion that, after taking into account the existing available borrowing facilities and other internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements within the next twelve months.

Capital Structure

As at 31 December 2021, the issued share capital of the Company was 1,125,027,072 shares. During the Reporting Period, there was no movement of the issued share capital of the Company.

As at 31 December 2021, the net assets of the Group amounted to approximately HK$1,078.4 million, representing an increase of approximately 29.2% from the net assets of approximately HK$834.7 million as at 31 December 2020. With the total number of 1,125,027,072 ordinary shares in issue as at 31 December 2021, the net assets value per share was approximately HK$0.96 (31 December 2020: approximately HK$0.74).

Treasury Policy

The Group's transactions and its monetary assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

DIVIDEND

The Directors do not recommend any dividend for FY2021 (FY2020: Nil).

CORPORATE GUARANTEES

As at 31 December 2021, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK$1,127 million (31 December 2020: HK$1,127 million).

As at 31 December 2020, certain subsidiaries have provided corporate guarantees to a financial institution for securing facilities granted to the Company which amounted to HK$150 million. Such corporate guarantees were released upon repayment of other borrowings during FY2021.

CHARGES ON GROUP ASSETS

As at 31 December 2021, the Group has pledged the following assets:

a) Investment properties in Hong Kong with an aggregate carrying amount of HK$1,827.3 million for securing the Group's bank and certain other borrowings;

b) Share mortgage of certain subsidiaries for securing their respective bank borrowings; and

c) Rent assignments in respect of the investment properties held by the Group.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent labilities.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save for the disposal of the Shanghai Yuexin Group as disclosed in this report, there was no other significant investments, material acquisitions and disposals during the Reporting Period.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2021 and up to the date of this report.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 10 employees (31 December 2020: 39 employees). The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

Report of the Directors

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements. The business review of the Group for the Reporting Period as well as further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (except for the principal risks and uncertainties facing the Group set out from page 23 to 24), are set out in the section headed "Management Discussion and Analysis" from pages 5 to 14, the section headed "Investors' Relations and Communication with Shareholders" under Corporate Governance Report from page 41 to 42 and the "Environmental, Social and Governance Report" from pages 44 to 66 of this annual report, which form part of this directors' report.

FINANCIAL STATEMENTS

The results of the Group for the Reporting Period and the state of the Company's and the Group's affairs as at 31 December 2021 are set out in the consolidated financial statements from pages 72 to 149 (the "**FY 2021 Consolidated Financial Statements**").

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the annual general meeting ("AGM")

For determining the entitlement to attend and vote at the AGM, which will be held on 21 June 2022, the register of members of the Company will be closed from Thursday, 16 June 2022 to Tuesday, 21 June 2022 (both dates inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Wednesday, 15 June 2022.

INVESTMENT PROPERTIES

The Group's investment properties as at 31 December 2021 were revalued by an independent firm of professional properties valuers using income capitalisation approach and by making reference to comparable rent and sales transactions of similar properties in the similar locations and conditions as available in the market. Details of movements in the investment properties of the Group during the Reporting Period are set out in Note 18 to the FY 2021 Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 16 to the FY 2021 Consolidated Financial Statements.

SHARE CAPITAL

During the Reporting Period, there was no change to the authorised and issued share capital of the Company. Details of the share capital of the Company and the issue of shares made by the Company are set out in Note 27 to the FY 2021 Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing Shareholders.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout FY2021 and up to the date of this report.

RESERVES

Movements in reserves of the Group and the Company during the Reporting Period are set out on page 74 and page 149 of this annual report respectively.

As at 31 December 2021, the Company's reserve available for distribution to shareholders of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted of approximately HK$54,202,000 (2020: approximately HK$61,483,000).

SHARE OPTION SCHEME

The Company, by resolution passed by its Shareholders at the annual general meeting held on 3 September 2013, has adopted a new share option scheme to replace the previous share option scheme that lapsed on 2 September 2013 (the "**2013 Share Option Scheme**"). During the Reporting Period, there was no share options granted and no outstanding share option under the 2013 Share Option Scheme. Particulars of the 2013 Share Option Scheme are set out in Note 30 to the FY2021 Consolidated Financial Statements.

MAJOR PROPERTIES

Particulars of the major properties held by the Group are set out from pages 151 to 152 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years/period is set out on page 150 of this annual report.

Report of the Directors

DIRECTORS

The Directors during the Reporting Period and subsequent to the date of this report were:

Executive Directors

Mr. Chen Zhiwei *(Chairman)*
(resigned as chief executive officer and appointed as the chairman on 15 January 2021)
Ms. Ku Ka Lee *(Chief executive officer)*
(re-designated as executive director and appointed as chief executive officer on 15 January 2021)
Mr. Tang Lunfei
Mr. Ma Yilin *(resigned on 15 January 2021)*
Ms. Huang Limei *(resigned on 12 May 2021)*

Non-executive Directors

Dr. Huang Qiang
Mr. Wong Chi Keung, Kenjie *(appointed on 26 February 2021)*
Ms. Yu Dan *(appointed on 12 May 2021)*
Ms. Ku Ka Lee *(appointed on 6 January 2021 and re-designated as executive director and appointed as chief executive officer on 15 January 2021)*
Mr. Wang Xin *(resigned on 6 January 2021)*

Independent non-executive Directors

Mr. Liew Fui Kiang
Mr. Liu Xin *(appointed on 12 May 2021)*
Mr. Yip Tai Him
Mr. Wong Sai Tat *(resigned on 26 February 2021)*
Mr. Wong Wai Leung *(resigned on 12 May 2021)*

In accordance with the Company's bye-laws and the Listing Rules, Mr. Tang Lunfei, Dr. Huang Qiang and Mr. Yip Tai Him will retire from office at the forthcoming AGM and being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors as at the date of this report are set out on pages 25 to 28 of this annual report.

UPDATE ON WAIVER OF BREACH FROM HSB

On 20 March 2018, Top Bright Properties Limited ("**Top Bright**"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with HSB for a term loan facility in the principal amount of HK$570 million. On 15 June 2018, Top Bright entered into a supplemental agreement with HSB for a term loan facility in the principal amount of HK$212 million.

On 15 June 2018, each of Smart Land Properties Limited ("**Smart Land**") and Pioneer Delight Limited ("**Pioneer Delight**"), both being indirect wholly-owned subsidiaries of the Company, entered into an agreement with HSB for a term loan facility in the principal amount of HK$50 million and HK$25 million, respectively.

On 5 February 2021, Pioneer Delight, Smart Land and Top Bright (the "**Borrowers**", and each a "**Borrower**"), each received a letter from HSB (through its solicitors) (the "**Letter**") noted that the respective Borrower was in breach of the financial covenant whereby the consolidated tangible net worth of the Company (as their respective guarantor) was less than the requisite minimum of HK$2,000,000,000 (the "**Breach**"). As stated in the Letter to the respective Borrower, HSB may waive the Breach if the relevant Borrower could satisfy certain waiver conditions (the "**Waiver Conditions**"), including to make a partial repayment of not less than HK$164.0 million or HSB (the "**Partial Repayment**"), and provide HSB with satisfactory evidence as HSB may require within one month from the date of the Letter.

On 18 March 2021, the Borrowers have respectively received replies from HSB (through is solicitors) on their respective requests to waive the Breach. HSB informed the Borrowers that subject to, among other things, the Borrowers (i) satisfying the Waiver Conditions; and (ii) providing HSB with satisfactory evidence on or before 30 June 2021.

On 23 August 2021, the Borrowers have respectively received replies from HSB (through its solicitors) on their respective request to extend the deadline for making the Partial Repayment to HSB. HSB informed the Borrowers that an extension was granted to the Borrowers until 30 September 2021 for making the Partial Repayment.

On 4 October 2021, the Borrowers respectively received replies from HSB (through is solicitors) that (i) given the Borrowers did not make any repayment of the Partial Repayment on or before 30 September 2021 as per the extension given pursuant to their letters dated 23 August 2021, the failure of making such repayment was considered an event of default under the respective facility letter and the facility agreement; and (ii) HSB made the final demand for repayment in writing, and the Partial Repayment must be repaid immediately and in any event by 8 October 2021, failing of which HSB will take appropriate actions, including but not limited to enforcing the securities maintained by HSB and commencing legal proceedings against the Borrowers.

On 8 October 2021, the Borrowers respectively received further replies from HSB (through its solicitors) that (i) the Partial Repayment that the Borrowers are to be repaid will reduce from HK$164.0 million to HK$100.0 million (the "**Reduced Partial Repayment**"); (ii) the Reduced Partial Repayment must be repaid by 29 October 2021; and (iii) the Borrowers shall bear the legal fees incurred by HSB in connection with the recovery of outstanding loans owed by the Borrowers.

On 29 October 2021, the Borrowers have received further letters from HSB (through its solicitors) that HSB is minded to waive the Breach, subject to the following waiver conditions (the "**New Waiver Conditions**"):

(i) any of the Borrowers to make the Reduced Partial Repayment to HSB by 29 October 2021;

(ii) any of the Borrowers to make the payment of legal fees in the amount of HK$50,000 to HSB for dealing with the Breach and their waiver applications;

(iii) written acknowledgements of the waiver of the Breach by HSB under the letter (including the New Waiver Conditions) shall be signed respectively by, among others, the Borrowers and the Company (as the guarantor under the Facility Letter and Facility Agreement) (the "**Written Acknowledgments**"); and

(iv) notwithstanding the Breach and the waiver by HSB, the terms of the Facility Letter, the Facility Agreement, the finance documents and the security documents (including the guarantee and security provided therein) shall remain in full force and effect. The waiver is without prejudice to and shall not affect other rights and benefits which HSB may have under the Facility Letter, the Facility Agreement, the finance documents and the security documents. Nothing in the letter shall be deemed to be a waiver by HSB of, or consent by HSB to, any breach or potential breach (present or future) of any provision of the Facility Letter, the Facility Agreement, the finance documents and the security documents, except the specific waiver expressly given in the letter.

On 29 October 2021, in accordance with the terms of the New Waiver Conditions set out in the letters from HSB (through its solicitors) to the respective Borrowers, the Borrowers have (i) repaid the Reduced Partial Repayment of HK$100.0 million; (ii) paid the legal fees incurred by HSB in connection with the recovery of the outstanding loans owed by the Borrowers of HK$50,000; and (iii) returned the signed Written Acknowledgements respectively dated 29 October 2021.

Please refer to the announcements of the Company dated 5 February 2021, 18 March 2021, 23 August 2021, 4 October 2021, 8 October 2021 and 29 October 2021, and the 2021 Interim Report for further details, including the waiver conditions from HSB.

Please also refer to the announcements of the Company dated 12 June 2020 and 29 December 2020 for the waiver of the event of default obtained from HSB in relation to the loan-to-value ratio under the HSB loan facilities.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, has entered into a service contract with the Company for an initial term of two years, commencing from his or her date of appointment. Such service contracts are renewable prior to the expiry for an additional year, subject to the compliance with the Listing Rules and the termination in accordance with the provisions of the service contract, or by either party giving the other not less than one month's prior written notice prior to the expiry or re-election to not renew the existing term, or three months' prior written notice in other cases.

Each of the non-executive Directors and independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of one year to three years depending on the term of appointment and commencing from his or her letter of appointments. Such letter of appointments are renewable on the date of appointment or re-election at the general meeting of the Company, and up to the next annual general meeting of the Company when his or her re-election is being considered, subject to the compliance with the Listing Rules and the termination in accordance with the provisions of the letter of appointment, or by either party giving the other not less than one month's prior written notice.

No Director who are proposed for re-election at the forthcoming AGM has a service contract or letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of The Company or any of its Associated Corporations" on page 21 of this annual report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares, or underlying shares in, or debenture of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, there was no competing business in which a Director had an interest which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

In relation to the Group's business, the percentages of Group's total revenue for the Reporting Period attributable to the largest customer and the five largest customers in aggregate were approximately 7.3% and 31.6%, respectively.

The percentages of Group's total purchases for the Reporting Period attributable to the largest supplier and the five largest suppliers in aggregate were approximately 46.6% and 77.6%, respectively.

None of the Directors, their respective close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interests in any major customers or suppliers noted above.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 December 2021, Shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange were as follows:

		As at 31 December 2021 (1)	
Name of substantial shareholder	**Capacity and nature of interest**	**Number of ordinary shares and underlying shares interested L-(long position)/ S-(short position)**	**Approximate percentage of issued share capital of the Company (Note 1)**
China Cinda (HK) Asset Management Co., Limited ("**China Cinda (HK)**") (2)(3)	Beneficial owner	L – 843,585,747	74.98%
Bonds & Sons Holdings Limited (5)	Beneficial owner	L – 111,642,295	9.93%
Bonds & Sons International Limited (5)	Interest in controlled corporation	L – 111,642,295	9.93%
Bonds Chan Family Holdings (PTC) Ltd. (5)	Interest in controlled corporation	L – 111,642,295	9.93%
China Cinda Asset Management Co., Ltd. (2)(3)	Interest in controlled corporation	L – 843,585,747	74.98%
DCP China Credit Fund I, L.P. (4)	Interest of controlled corporation	L – 843,585,747	74.98%
Dignari Capital Partners GP Limited (4)	Interest of controlled corporation	L – 843,585,747	74.98%
Tan Mei Zie Grace (4)	Interest of controlled corporation	L – 843,585,747	74.98%

Notes:

(1) Based on 1,125,027,072 ordinary shares of the Company in issue at 31 December 2021.

(2) China Cinda (HK) is the beneficial owner of 843,585,747 Shares.

(3) China Cinda Asset Management Co., Ltd. controlled 100% of China Cinda (HK) Holdings Company Limited, which is the sole shareholder of China Cinda (HK) and is deemed under the SFO to be interested in the 843,585,747 Shares held by China Cinda (HK).

(4) To the best knowledge, information and belief of the Directors, DCP China Credit Fund I, L.P., Dignari Capital Partners GP Limited and Tan Mei Zie Grace are interested in 843,585,747 shares of the Company and/or underlying shares of the Company, among which there are interests in 34,139,680 underlying shares of the Company pursuant to physically settled unlisted derivatives; DCP China Credit Fund I, L.P. controlled 100% of Dragons 616 Limited, whilst DCP China Credit Fund I, L.P. was controlled by Dignari Capital Partners GP Limited, and Tan Mei Zie Grace controlled 99% of Dignari Capital Partners GP Limited.

(5) To the best knowledge, information and belief of the Directors, Bonds & Sons Holdings Limited is 100% controlled by Bonds & Sons International Limited, which is in turn 100% controlled by Bonds Chan Family Holdings (PTC) Ltd. Accordingly, Bonds Chan Family Holdings (PTC) Ltd. and Bonds & Sons International Limited are deemed under the SFO to be interested in the 111,642,295 Shares held by Bonds & Sons Holdings Limited.

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS' INDEMNITIES

In accordance with the bye-law 166(1) of the Company's bye-laws, every director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

Such permitted indemnity provisions have been in force throughout the Reporting Period and is currently in force at the time of approval of this report.

Accordingly, the Company has arranged Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could affect the Group's business model, future performance and solvency which are considered by the Board on a regular basis. The Board, through Audit Committee by establishing and maintaining the Group's internal control system and risk management process to monitor significant risks in order to achieve the Group's strategic objectives and missions. Additional information on the Group's risk management and internal control is set out in the Corporate Governance Report. The key major risks affecting the Group's business are as follows:

Economic and Financial Risk

The Group's major assets are investment properties located in Hong Kong which contributed to the Group's revenue and results of operations, accordingly, they are exposed to the risk of uncertain and/or negative performance of Hong Kong economy, financial and property markets, either directly or indirectly through restrictions in the availability of credit from the Group's bankers and the Group's investment properties – tenants in terms of reduction in rental income and occupancy. Such adverse impact in effect might reduce the Group's rental revenue, increase the finance cost and decrease the fair value of the Group's investment properties and hence the net asset values of the Group. The Group is also susceptible to changes in economic conditions, consumer confidence, consumption spending, and changes in consumption preferences. Therefore, the Group will continue to develop and expand into different regional markets to reduce its dependence on specific markets.

Beside the outlook of the Hong Kong's economy, during FY2021, prospect on the Group's businesses also rely on the performance of the property market in the PRC. The property market in the PRC is affected by a number of factors, including changes in social, political, economic and legal environment, and the government's policies. With the completion of the sale of Shanghai Yuexin Group on 26 September 2021, the Group is no longer rely on the performance of the property market in the PRC since then.

All of the Group's bank borrowings secured by the investment properties in Hong Kong are subject to floating interest rates based on HIBOR plus a fixed margin. The Group will closely monitor and manage its exposure to the interest rate fluctuations and will consider engaging hedging instruments against interest rates as and when appropriate.

The Group's property development business is mainly denominated in RMB. During the Reporting Period, an unrealised exchange loss on translating foreign operations of approximately HK$2.6 million was charged as other comprehensive loss, which was arisen mainly from the translation of operations in the PRC due to the appreciation of RMB. With the completion of the sale of Shanghai Yuexin Group on 26 September 2021, the Group's property leasing business and bank borrowings are all denominated in Hong Kong dollars. As such, since 26 September 2021, the Company no longer faces any foreign exchange risk.

Regulatory Risk

The Group is subject to the introduction of new laws, policies or regulations, changes in the interpretation or application of new laws, policies and regulations applicable to the Group.

During the Reporting Period, as far as the Company is aware, there was no material breach or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group.

AUDITOR

The consolidated financial statements for the Reporting Period were audited by Ernst & Young whose term of office will expire upon the forthcoming AGM, and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company for the subsequent year is to be proposed at the forthcoming AGM.

On behalf of the Board

Chen Zhiwei
Chairman and Executive Director

Hong Kong, 29 March 2022

* *for identification purpose only*

Directors' Biography

DIRECTORS

Executive Directors

Mr. Chen Zhiwei ("Mr. Chen")

Mr. Chen, aged 37, has been appointed as an executive Director with effect from 13 May 2020 and the Chairman of the Board on 15 January 2021. Mr. Chen was previously the chief executive officer ("**CEO**") between 22 June 2020 and 14 January 2021. Mr. Chen was appointed as the Chairman and the chairman of the Nomination Committee with effect from 15 January 2021. He has over 14 years of investment and research experience in the financial industry. Mr. Chen obtained his Bachelor of Economics in July 2004 from Tsinghua University of the People's Republic of China and his Master of Science (Estate Management) in August 2009 from National University of Singapore. Mr. Chen joined China Cinda (HK) Holdings Company Limited ("**Cinda HK**") in June 2010 and is currently serving as its deputy general manager, and is responsible for managing its investment and financing business. Mr. Chen has been a non-executive director of (1) China Fortune Financial Group Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited ("**Main Board**") (stock code: 290) since April 2018; (2) SouthGobi Resources Ltd., a company listed on the Main Board (stock code: 1878), and the Toronto Stock Exchange (TSX: SGQ) since April 2018; and (3) Silver Grant International Holdings Group Limited, a company listed on the Main Board (stock code: 171) since January 2019. In addition, during the past three years, Mr. Chen was previously a non-executive director of Modern Land (China) Co., Limited, a company listed on the Main Board (stock code: 1107) from December 2016 to March 2022.

Ms. Ku Ka Lee ("Ms. Ku")

Ms. Ku, aged 51, joined the Group on 17 June 2020 and has been appointed as a non-executive Director since 6 January 2021 up to 14 January 2021. She has been re-designated from non-executive Director to executive Director and appointed as the CEO with effect from 15 January 2021. She is also a director of all subsidiaries of the Company incorporated in Hong Kong and the British Virgin Islands respectively. Ms. Ku is currently the managing director of the Investment Department of Cinda HK, responsible for sourcing and execution of private and secondary market transactions valuing in excess of HK$10 billion. Ms. Ku has over 24 years' experience in the management and finance sectors. She joined China Cinda Asset Management Co., Ltd. ("**China Cinda**") in 1996 and throughout her career at China Cinda, she has worked in a variety of roles and positions. Prior to her appointment in 2018 as the managing director of the Investment Department in Cinda HK, Ms. Ku was an executive director of the Investment Department in Cinda HK from March 2017 to March 2018 and prior to that, a Senior Manager Assistant of the Investment Department in Cinda HK from March 2016 to March 2017. While at Cinda HK, Ms. Ku has provided corporations with financial supports through loans, equity investments, mezzanine investments, bond investments, initial public offerings, and additional investment opportunities at every stage of corporate growth. Ms. Ku has been a non-executive director of SouthGobi Resources Limited, a company listed on the Main Board (Stock code: 1878), since 9 December 2020. Ms. Ku studied international trade at Hubei University in China in 1989. She subsequently obtained a Diploma in Business Management which was jointly organised by The Hong Kong Management Association and Lingnan University in Hong Kong in July 2005. Ms. Ku also completed the Licensing Examination for Securities and Futures Intermediaries from the Hong Kong Securities and Investment Institute for the practising certificate for securities and asset management in October 2013 and December 2013, respectively. Furthermore, Ms. Ku is a member of the Canadian Institute of Corporate Directors.

Mr. Tang Lunfei ("Mr. Tang")

Mr. Tang, aged 43, has been appointed as an executive Director with effect from 13 May 2020. He has over 16 years of experience in the financial industry. Mr. Tang obtained his Bachelor of Economics from Chongqing Institute of Technology of the PRC in June 2000 and his Master of Economics from Sichuan University of the PRC in June 2003. After his graduation, Mr. Tang joined China Cinda Asset Management Co., Ltd. ("**China Cinda**") as the business manager of Chengdu office from July 2003 to April 2005. Subsequently, he worked for the Financial Stability Bureau of The People's Bank of China from May 2005 to June 2006, where he was responsible for resolving the risks associated with securities companies. Mr. Tang then joined Cinda Securities Company Limited from June 2006 to June 2012 with his last position as the business director. From June 2012 to July 2019, he worked for China Cinda with his last position as the chief and specialised approver of various departments of the company. Since July 2019, Mr. Tang has been serving as the chief risk and compliance officer of China Cinda (HK) Holdings Company Limited (a wholly-owned subsidiary of China Cinda). Mr. Tang has been an executive director of Silver Grant International Holdings Group Limited, a company listed on the Main Board (stock code: 171) since 11 January 2021. Mr. Tang has been a non-executive director of Modern Land (China) Co., Limited, a company listed on the Main Board (stock code: 1107) since 24 March 2022.

Non-Executive Directors

Dr. Huang Qiang ("Dr. Huang")

Dr. Huang, aged 45, has been appointed as a non-executive Director with effect from 13 May 2020. Dr. Huang was previously a member of the Audit Committee between 19 June 2020 and 11 May 2021. He has over 21 years of experience in the financial industry. Dr. Huang obtained his Bachelor of Economics from the Southwestern University of Finance and Economics of the PRC in July 1998, his Master of Corporate Management* (企業管理) from the Southwestern University of Finance and Economics of the PRC in December 2003 and his Doctor of Corporate Management* (企業管理) in July 2009 from the Southwestern University of Finance and Economics of the PRC. He had been working for Chengdu branch of The People's Bank of China from July 1998 to December 2002, Chengdu Rural Commercial Bank from December 2002 to March 2011 and the China Securities Regulatory Commission from March 2011 to March 2012 where he obtained his valuable experience in the financial industry. Subsequently, Dr. Huang served the School of Economics of the Peking University as a Postdoctor from March 2012 to February 2013. He then joined China Cinda from February 2013 to June 2016 with his last position as the associate general director. Dr. Huang has been concurrently serving as the deputy general manager of China Cinda (HK) Holdings Company Limited (a wholly-owned subsidiary of China Cinda) since June 2017 and is responsible for managing the equity and corporate finance business of the company.

Mr. Wong Chi Keung, Kenjie ("Mr. K. Wong")

Mr. K. Wong, aged 62, has been appointed as a non-executive Director and a member of the Remuneration Committee with effect from 26 February 2021. He has over 30 years of experience in providing a range of services such as strategy, marketing and business consulting services to international businesses in particular for those wishing to expand into China, including Hong Kong. Through direct experience as well as relationships formed with industry players, he has knowledge in a broad range of market sectors such as consumer products, automotive, finance and banking, property, luxury fashions and wine & spirits. In June 2016, Mr. K. Wong joined House of Connoisseur Ltd. as executive director. House of Connoisseur Ltd. is a wine and spirit company in Hong Kong that carry a wide range of wine and spirits, including fine wine and premium spirits. Mr. K. Wong is responsible for leading, developing and executing a comprehensive business and marketing strategy for it to become a leader in this competitive market. Prior to joining the House of Connoisseur Ltd., Mr. K. Wong held senior posts in a number of private companies. In April 2015, Mr. K. Wong joined Kingsway Cars Ltd., the authorised dealer of Lamborghini in Hong Kong, as general sales manager. From January 2013 to March 2015, Mr. K. Wong was the executive director of Gao Peng Cultural and Media Group Ltd., a consulting company advising on licensing, intellectual property and merchandising. Between March 2011 and January 2013, Mr. K. Wong was the general manager of Newcast Shanghai, the branded content and engagement arm of ZenithOptimedia. From 1997 to 2011, Mr. K. Wong held various positions mainly focused in the field of advertising and marketing. Mr. K. Wong obtained a Bachelor of Arts degree majoring in Communication Studies from Simon Fraser University in British Columbia, Canada in 1984.

Ms. Yu Dan ("Ms. Yu")

Ms. Yu, aged 39, has been appointed as a non-executive Director on 12 May 2021. Ms. Yu is also a member of the Audit Committee of the Company. She joined China Cinda (HK) Holdings Company Limited in January 2017 and currently serving as the head of Finance Department of China Cinda (HK) Holdings Company Limited primarily responsible for all aspects of financial management. Ms. Yu has more than eight years of experience in auditing. Prior to joining the Board, Ms. Yu worked in international accounting firm from December 2004 to April 2013 with her last position as an audit manager at KPMG. Also, Ms. Yu worked in Like International Limited in Shanghai, which primarily engages in design and manufacture of smart point of sale ("POS") machines and system for restaurants and supermarkets, as finance director from September 2013 to March 2015. Furthermore, Ms. Yu worked in NQ International Limited (NYSE symbol: NQ) as investor relations director from April 2015 to January 2016. Ms. Yu obtained a bachelor's degree major in business administration from 華東師範大學 (East China Normal University) in July 2004. Ms. Yu is a member of each of the Chinese Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

Independent Non-Executive Directors

Mr. Liew Fui Kiang ("Mr. Liew")

Mr. Liew, aged 55, has been appointed as an independent non-executive Director of the Company with effect from 12 January 2018. Mr. Liew has been re-designated from the chairman to a member of the Nomination Committee of the Company since 19 June 2020. He is a fellow of the Hong Kong Institute of Directors, a solicitor of England and Wales, and a solicitor of Hong Kong. Mr. Liew obtained a Bachelor of Laws (Tetley & Lupton scholar) from the University of Leeds in the United Kingdom and a Master of Business Administration from the Hull University Business School in the United Kingdom. Mr. Liew is currently an independent non-executive director of Shandong Gold Mining Company Limited (stock code: 1787 and Shanghai Stock Exchange stock code: 600547), China Apex Group Limited (stock code: 2011) and Zhengye International Holdings Limited (stock code: 3363) respectively. Mr. Liew was the chairman of the board of directors and an executive director of PacRay International Holdings Limited (stock code: 1010) from 2017 to 2019. He was a non-executive director of Amber Hill Financial Holdings Limited (stock code: 33) in December 2019. Mr. Liew was an independent director of Baoshan Iron & Steel Company Limited (寶山鋼鐵股份有限公司, Shanghai Stock Exchange stock code: 600019), a Fortune Global 500 company, from 2000 to 2006.

Mr. Liu Xin ("Mr. Liu")

Mr. Liu, aged 66, has been appointed as the independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Company since 12 May 2021.Mr. Liu has over 30 years of extensive experience and knowledge in finance and investment banking. Mr. Liu has been serving as a senior advisor of Deloitte China since March 2019, participated in in anti-money laundry training, project financing and strategy of business development in a number of China financial institutions. Mr. Liu has also been an independent non-executive director, a member of each of the audit committee, remuneration committee and nomination committee of China Fortune Financial Group Limited (stock code: 290) since 10 March 2020. Prior to Deloitte China, Mr. Liu was with BNP Paribas in Hong Kong between July 2007 and June 2018. Mr. Liu's positions during his time at BNP Paribas included the managing director of financial institution group of BNP Paribas in Hong Kong as well as the head of Global Risk Solutions (China). Prior to joining BNP Paribas, Mr. Liu worked as senior adviser of China Affairs Department in HSBC in London from 2001 to 2002. Mr. Liu also worked as the director of the Investment Division in China's State Administration of Foreign Exchange (SAFE) from 1989 to 2001, where he accumulated rich knowledge in interpreting Chinese policy and regulations for the Chinese financial system.

Mr. Liu graduated from Hubei University in June 1982 with a bachelor's degree in Arts. He then further obtained a master's degree in Economics from Wuhan University in June 1989 and a doctor's degree majoring in Economics from The University of Leeds in August 2007. Mr. Liu was honoured as a Senior Economist by the People's Bank of China in 1996. He also published extensively in world class journals and books as a co-author with well-known British scholars.

Directors' Biography

Mr. Yip Tai Him ("Mr. Yip")

Mr. Yip, aged 51, has been appointed as an independent non-executive Director on 13 May 2020. Mr. Yip has been appointed as the chairman of the Audit Committee with effect from 15 June 2020 and as a member of Remuneration Committee with effect from 26 February 2021. He has over 20 years of experience in accounting, auditing and financial management. Mr. Yip obtained his Bachelor degree from the City University of Hong Kong in November 1993. He has been admitted as a member of the HKICPA, a fellow of the Association of Chartered Certified Accountants in the United Kingdom and a fellow of the Institute of Chartered Accountants in England and Wales since June 1997, September 2001 and January 2016 respectively. Mr. Yip has been serving as an independent non-executive director of (1) Shentong Robot Education Group Company Limited (a company with principal business of robotic education and listed on GEM with stock code: 8206) since October 2002; (2) GCL-Poly Energy Holdings Limited (a solar energy related company listed on the Main Board with stock code: 3800) since March 2009; (3) Redco Properties Group Limited (a property developer listed on the Main Board with stock code: 1622) since January 2014; and (4) Dongguan Rural Commercial Bank Co., Ltd (a PRC banking services company listed on the Main Board with stock code: 9889) since March 2017. In addition, he was previously an independent non-executive director of China Carbon Neutral Development Group Limited (formerly known as Bisu Technology Group International Limited) (an engineering and construction company listed on the Main Board with stock code: 1372) from July 2015 to April 2019.

Corporate Governance Report

The Company is committed to good corporate governance practices in order to safeguard the interests of the Shareholders. This is essential to the success of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has adopted a corporate governance code prepared based on the code provisions (the "**Code Provisions**") of the latest revised code on corporate governance and relevant amendments effective from 1 January 2021 (the "**CG Code**") as set out in Appendix 14 to the Listing Rules from time to time as the guidelines for corporate governance of the Company, and has complied with the CG Code throughout the Reporting Period. Furthermore, the corporate governance code as set out in Appendix 14 to the Listing Rules was further amended and the amendments came into effect on 1 January 2022 (the "**New CG Code**"), which the Company has adopted the Code Provisions of the New CG Code as its corporate governance code since 1 January 2022.

ROLES AND RESPONSIBILITIES OF THE BOARD AND DELEGATED FUNCTIONS OF THE MANAGEMENT

The Board is responsible for the leadership and overall control of the Company, oversees the Group's business, formulates strategic plans/decisions and monitors financial and operational performances, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibilities for decision making in all major matters of the Company which include, approving and monitoring all policy matters, setting of objectives, and overall strategies, material transactions, appointment of Directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management under the direction and supervision of the Chairman of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to entering into of any significant transactions by the executive Directors and the Board has the full support from them to discharge its duties and responsibilities. Furthermore, since 1 January 2022, pursuant to the New CG Code, the Board establishes the Company's purpose, values and strategy, and needs to satisfy itself that these and the Company's culture are aligned. All Directors must act with integrity, lead by example, and promote the culture which aligned to the Company and the culture will instill and continually reinforce across the Company's values of acting lawfully, ethically and responsibly. The Board will continue to drive the performance of its core business at a steady pace in order to create value for the Company and the Shareholders in the long-run.

CORPORATE GOVERNANCE FUNCTIONS

The Company has not established any corporate governance committee. The Board is responsible for performing the corporate governance functions including (i) developing and reviewing the Company's policies, practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and (iv) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD COMPOSITION

During the Reporting Period and up to the date of this annual report, the compositions of the Board were as follows:

(i) ***Between 1 January 2021 to 5 January 2021:*** the Board had a total of 10 Directors, which comprised of:

- four executive Directors (namely, Mr. Ma Yilin (*Chairman*), Mr. Chen Zhiwei (*CEO*), Mr. Tang Lunfei and Ms. Huang Limei);
- two non-executive Directors (namely, Mr. Wang Xin and Dr. Huang Qiang); and
- four independent non-executive Directors (namely, Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him);

(ii) ***Between 6 January 2021 to 14 January 2021:*** the Board had a total of 10 Directors, which comprised of:

- four executive Directors (namely, Mr. Ma Yilin (*Chairman*), Mr. Chen Zhiwei (*CEO*), Mr. Tang Lunfei and Ms. Huang Limei);
- two non-executive Directors (namely, Ms. Ku Ka Lee and Dr. Huang Qiang); and
- four independent non-executive Directors (namely, Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him);

(iii) ***Between 15 January 2021 to 25 February 2021:*** the Board had a total of nine Directors, which comprised of:

- four executive Directors (namely, Mr. Chen Zhiwei (*Chairman*), Ms. Ku Ka Lee (*CEO*), Mr. Tang Lunfei and Ms. Huang Limei);
- one non-executive Director (namely, Dr. Huang Qiang); and
- four independent non-executive Directors (namely, Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him);

(iv) ***From 26 February 2021 to 11 May 2021:*** the Board had a total of nine Directors, which comprises:

- four executive Directors (namely, Mr. Chen Zhiwei (*Chairman*), Ms. Ku Ka Lee (*CEO*), Mr. Tang Lunfei and Ms. Huang Limei);
- two non-executive Directors (namely, Dr. Huang Qiang and Mr. Wong Chi Keung, Kenjie); and
- three independent non-executive Directors (namely, Mr. Liew Fui Kiang, Mr. Wong Wai Leung and Mr. Yip Tai Him).

(v) ***From 12 May 2021 to the date of this annual report (being 29 March 2022):*** the Board has a total of nine Directors, which comprises:

- three executive Directors (namely, Mr. Chen Zhiwei *(Chairman)*, Ms. Ku Ka Lee *(CEO)*, and Mr. Tang Lunfei);
- three non-executive Directors (namely, Dr. Huang Qiang, Mr. Wong Chi Keung, Kenjie and Ms. Yu Dan); and
- three independent non-executive Directors (namely Mr. Liew Fui Kiang, Mr. Liu Xin and Mr. Yip Tai Him).

During the Reporting Period and up to the date of this annual report, the Company has at all times complied with Rules 3.10(1) and 3.10A of the Listing Rules, of having at least three independent non-executive directors and representing at least one-third of the Board.

At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors as at the date of this annual report are set out on pages 25 to 28 of this annual report. There is no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

THE BOARD

Number of meetings attended/eligible to attend

The Board held 4 regular meetings and 5 additional meetings during the Reporting Period.

The attendance of individual Directors at the Board meetings and the general meetings held (pursuant to Listing Rule 13.39(5A)) for the Reporting Period are as follows:

Name of Directors	Regular Board meetings	Additional Board meetings[10]	General meetings
Executive Directors			
Mr. Chen Zhiwei *(Chairman, from 15 January 2021 Chief Executive Officer, until 15 January 2021)* [1]	4/4	5/5	2/2
Ms. Ku Ka Lee *(Chief Executive Officer, from 15 January 2021)* [2]	4/4	4/4	1/1
Mr. Tang Lunfei	4/4	1/5	2/2
Mr. Ma Yilin *(Chairman, until 15 January 2021)* [3]	–	0/1	1/1
Ms. Huang Limei [4]	1/2	0/5	1/1
Non-executive Directors			
Dr. Huang Qiang	4/4	2/5	2/2
Mr. Wong Chi Keung, Kenjie [5]	4/4	1/1	1/1
Ms. Yu Dan [6]	1/1	1/1	1/1
Mr. Wang Xin [8]	–	0/1	1/1
Independent non-executive Directors			
Mr. Liew Fui Kiang	4/4	5/5	2/2
Mr. Liu Xin [6]	1/1	1/1	1/1
Mr. Yip Tai Him	4/4	5/5	2/2
Mr. Wong Sai Tat [7]	1/1	3/3	1/1
Mr. Wong Wai Leung [4]	2/2	5/5	1/1

Notes:

(1) Resigned as the Chief Executive Officer and appointed as the Chairman on 15 January 2021.

(2) Re-designated as executive Director and appointed as Chief Executive Officer on 15 January 2021.

(3) Resigned as the Chairman and executive Director on 15 January 2021.

(4) Resigned on 12 May 2021.

(5) Appointed on 26 February 2021.

(6) Appointed on 12 May 2021.

(7) Resigned on 26 February 2021.

(8) Resigned on 6 January 2021.

(9) In addition, the Chairman held a meeting with the independent non-executive Directors without the presence of other executive Directors during the Reporting Period.

(10) Additional Board meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention.

(11) The number of meetings represent the meetings held during the respective Directors' office term.

BOARD PROCEEDINGS

The company secretary of the Company ("**Company Secretary**") assists the Chairman in establishing the meeting agenda and each Director may request inclusion of items in the agenda. A notice of at least 14 days is given to all Directors for all regular Board meetings. Relevant information is circulated to all Directors normally three days in advance of the Board meetings.

With the assistance of the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising from Board meetings and that they receive adequate information in a timely manner in order to assist them to make informed decisions and discharge their duties as Directors. Upon reasonable request, the Directors and Board committees will have access to independent professional advice in appropriate circumstances at the Company's expense in carrying out their duties.

According to the current Board practice, if a substantial Shareholder or a Director has any conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The bye-laws of the Company also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting on any Board resolution and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his close associates has a material interest.

Meeting minutes of the Board and Board committees are recorded in appropriate details and draft minutes are circulated to the respective Board members for comments before being approved by the Board and Board committees. All minutes are kept by the Company Secretary and are open for inspection by the Directors on reasonable notice.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The code provision A.4.2 of the CG Code (B.2.2 of the New CG Code) requires every Director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation at each AGM. The code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

In the AGM of the Company held on 21 June 2021, three Directors (Mr. Chen Zhiwei, Mr. Tang Lunfei and Mr. Liew Fui Kiang) retired from office by rotation pursuant to Bye-laws.

All non-executive Directors including the independent non-executive Directors have been appointed for a specific term and accordingly the Company has been in compliance with the code provision A.4.1 of the CG Code.

Pursuant the bye-laws of the Company, four Directors newly appointed by the Board (Ms. Ku Ka Lee, Mr. Wong Chi Keung, Kenjie, Ms. Yu Dan and Mr. Liu Xin), would hold office until the AGM of the Company held on 21 June 2021. All of them offered themselves for re-election and were re-elected at the AGM of the Company held on 21 June 2021.

See "Report of Directors – Directors" for details of retirement and re-election of Directors at the forthcoming AGM.

BOARD INDEPENDENCE

Pursuant to code provisions B.1.4 of the New CG Code and since 1 January 2022, the Board established mechanism(s) to ensure independent views and input are available to the Board, in particular, (i) independent non-executive Directors are encouraged to actively participate in the Board meetings; (ii) to discourage to re-elect long-serving independent non-executive Directors; (iii) the number of independent non-executive Directors must comply with the requirement under the Listing Rules; and (iv) the independent non-executive Directors shall devote sufficient time to discharge their duties as a Director. Furthermore, the Directors may access external independent professional advice to assist their performance of duties at the expense of the Company. The Board will review the implementation and effectiveness of such mechanism(s) on an annual basis.

Pursuant to code provisions E.1.9 of the New CG Code, the Company generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive directors of the Company as this may lead to bias in their decision-making and compromise their objectivity and independence. The independent non-executive directors of the Company were not granted equity-based remuneration up to the date of this report.

The Company has received the annual written confirmations of independence from all of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. During the Reporting Period and up to the date of this report, none of the independent non-executive Directors at the time and currently sitting on the Board has served on the Board for nine years or more. The Board is of the view that all of the independent non-executive Directors are independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules.

RESPONSIBILITIES OF DIRECTORS

The Directors acknowledged their responsibility for preparing the financial statements of the Group for the Reporting Period. Every Director is required to keep abreast of his/her responsibilities as a Director and of the conduct, business activities and development of the Group. On appointment, new Directors will receive a comprehensive, formal induction on the Group's business and his/her responsibilities as a Director.

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company or any of its subsidiaries or the holding companies who are considered to be likely in possession of inside information in relation to the Company or its securities.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Each of the Directors newly appointed during the Reporting Period have received induction on the first occasion of his appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. All Directors are also encouraged to attend training courses relevant to changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates at the Company's expenses.

Under the code provision A.6.5 of the CG Code (code provision C.1.4 of the New CG Code), all Directors should participate in continuous development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. During the Reporting Period, the Company has provided timely technical updates, including the briefing on the amendments to the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuous briefing and seminars on professional development for the Directors are arranged where necessary. During the Reporting Period, regulatory updates and relevant materials on amendment to Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The table below summarised the trainings each Director received during the Reporting Period:

Name of Directors	Seminars on regulations and updates	Reading materials relating to regulatory update and corporate governance matters
Executive Directors		
Mr. Chen Zhiwei *(Chairman)* *(resigned as chief executive officer and appointed as the chairman on 15 January 2021)*	√	√
Ms. Ku Ka Lee *(Chief executive officer)* *(re-designated as executive director and appointed as chief executive officer on 15 January 2021)*	√	√
Mr. Tang Lunfei	√	√
Mr. Ma Yilin *(Chairman) (resigned on 15 January 2021)*	√	√
Ms. Huang Limei *(resigned on 12 May 2021)*	√	√
Non-Executive Directors		
Dr. Huang Qiang	√	√
Mr. Wong Chi Keung, Kenjie *(appointed on 26 February 2021)*	√	√
Ms. Yu Dan *(appointed on 12 May 2021)*	√	√
Ms. Ku Ka Lee *(appointed on 6 January 2021 and re-designated as executive director on 15 January 2021)*		
Mr. Wang Xin *(resigned on 6 January 2021)*	√	√
Independent non-executive Directors		
Mr. Liew Fui Kiang	√	√
Mr. Liu Xin *(appointed on 12 May 2021)*	√	√
Mr. Yip Tai Him	√	√
Mr. Wong Sai Tat *(resigned on 26 February 2021)*	√	√
Mr. Wong Wai Leung *(resigned on 12 May 2021)*	√	√

BOARD COMMITTEES

The Board currently has established three committees, being the Remuneration Committee, the Audit Committee and the Nomination Committee (collectively the "**Board Committees**"), for overseeing particular aspects of the affairs of the Group. All Board Committees have been established with specific terms of reference, which are available on the Company's website at http://www.zhongchangintl.hk and the website of the Stock Exchange at http://www.hkexnews.hk. All the Board Committees should report to the Board on their decisions or recommendations made.

All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. The duties and work done by the foregoing Board Committees for the Reporting Period are detailed below.

Remuneration Committee

The Remuneration Committee was established on 20 May 2005 and is governed by its terms of reference. The terms of reference have been posted on Company's website at http://www.zhongchangintl.hk and the website of the Stock Exchange at http://www.hkexnews.hk. For the period from 1 January 2021 to 25 February 2021, the Remuneration Committee comprised two independent non-executive Directors and one executive director, namely, Mr. Wong Wai Leung, the chairman of the Rumuneration Committee, Mr. Wong Sai Tat and Ms. Huang Limei.

On 26 February 2021, Mr. Wong Sai Tat and Ms. Huang Limei, ceased to be members of the Remuneration Committee, Mr. Yip Tai Him and Mr. Wong Chi Keung, Kenjie have been appointed as members of the Rumuneration Committee.

From 26 February 2021 to 11 May 2021, the Remuneration Committee comprised the following members: (i) Mr. Wong Wai Leung, the chairman of the Remuneration Committee and an independent non-executive Director; (ii) Mr. Yip Tai Him, an independent non-executive Director; and (iii) Mr. Wong Chi Keung, Kenjie, a non-executive Director.

With effect from 12 May 2021, Mr. Wong Wai Leung ceased as chairman of the Remuneration Committee, and Mr. Liu Xin has been appointed as the chairman of the Remuneration Committee. In this regard, from 12 May 2021 onwards, the Remuneration Committee comprised the following members: (i) Mr. Liu Xin, the chairman of the Remuneration Committee and an independent non-executive Director; (ii) Mr. Yip Tai Him, an independent non-executive Director; and (iii) Mr. Wong Chi Keung, Kenjie, a non-executive Director.

The Remuneration Committee assists the Board to (i) develop and administer fair and transparent procedures for setting policies on the remuneration; (ii) to assess the performance; (iii) with delegated responsibility to determine the remuneration packages; and (iv) make recommendations to the Board on the remuneration of all Directors and senior management of the Company. It is also responsible for the administration of the share option scheme adopted by the Company, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, the compensation payable to executive Directors and senior management in connection with any loss or termination of their office, their dismissal, removal or appointment; and advising Shareholders on how to vote with respect to any service contracts of Directors that requires Shareholders' approval under the Listing Rules.

During the Reporting Period, the Remuneration Committee reviewed (i) the remuneration packages of the newly appointed, or re-elected executive Directors, non-executive Director and independent non-executive Directors, and of the senior management and (ii) the terms of executive Director's service contract.

Details of Directors' emoluments on named basis for the Reporting Period are set out in note 10 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of the senior management by bands for the Reporting Period is set out below:

Remuneration bands	No. of senior management
HK$300,001–HK$500,000	1
HK$500,001–HK$1,000,000	3
HK$1,000,000–HK$1,500,000	1
	5

The Remuneration Committee held four meetings during the Reporting Period and the record of attendance of its members is as follows:

Name of member	Attendance/Number of meeting(s)
Mr. Liu Xin *(chairman) (appointed as chairman on 12 May 2021)*	–
Mr. Wong Chi Keung, Kenjie *(appointed on 26 February 2021)*	1/1
Mr. Yip Tai Him *(appointed on 26 February 2021)*	1/1
Mr. Wong Wai Leung *(chairman) (resigned on 12 May 2021)*	4/4
Ms. Huang Limei *(resigned on 26 February 2021)*	0/2
Mr. Wong Sai Tat *(resigned on 26 February 2021)*	3/3

Note: The number of meetings represent the meetings held during the respective Directors' office term.

Audit Committee

The Audit Committee was established on 20 May 2005 and is governed by its terms of reference which has been last updated on 31 December 2018 and previously updated on 25 March 2009, 19 March 2012 and 4 December 2015 are available on the Company's website at http://www.zhongchangintl.hk and the website of the Stock Exchange at http://www.hkexnews.hk.

The Audit Committee meets at least twice a year to review the Company's interim and annual results and the integrity of the Group's financial statements. The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring that an effective and adequate system is in place for internal control and risk management and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditor.

For the period from 1 January 2021 to 11 May 2021, the Audit Committee comprised of two independent non-executive Directors, namely, Mr. Yip Tai Him (committee chairman) and Mr. Wong Wai Leung and one non-executive Director, namely Dr. Huang Qiang.

On 12 May 2021, Dr. Huang Qiang, a non-executive Director and Mr. Wong Wai Leung, an independent non-executive Director ceased to be members of the Audit Committee. Ms. Yu Dan, a non-executive Director and Mr. Liu Xin, an independent non-executive Director have been appointed as members of Audit Committee.

In this regard, with effect from 12 May 2021, the Audit Committee comprised the following members: (i) Mr. Yip Tai Him, the chairman of the Audit Committee and an independent non-executive Director; (ii) Mr. Liu Xin, an independent non-executive Director; and (iii) Ms. Yu Dan, a non-executive Director.

Each member of the Audit Committee possesses in-depth experience in his own profession. Mr. Yip Tai Him and Ms. Yu Dan possess appropriate accounting or relevant financial management expertise and meet the requirements of Rule 3.21 of the Listing Rules. During the Reporting Period, the Audit Committee had reviewed and discussed with management, among others, the accounting principles and practices adopted by the Group, audit, internal control and risk management systems, financial reporting matters, made recommendation on the re-appointment of external auditor for the approval of the Shareholders in the AGM of the Company, and audited consolidated financial statements for FY2021 agreed by the external auditor.

The work performed by the Audit Committee during the Reporting Period also included the following matters:

- considering the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;
- reviewing the effectiveness of the systems of internal control and risk management of the Group;
- reviewing and discussing with management the report of the risk management and internal control systems to assess the internal control and risk management of the Company during the Reporting Period;
- reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process; and
- discussing with the auditor the nature and scope of the audit and reporting obligations.

The Audit Committee had reviewed and made recommendation for the Board's approval, among others, the draft unaudited interim financial statements of the Group for the six months ended 30 June 2021, annual report of FY2020 and discussed the accounting policies and practices which may affect the Group with the management.

Pursuant to the new code provision D.2.7 of the New CG Code, the Company has established a whistleblowing policy and system, whereby employees and those who deal with the Company (e.g. customers and suppliers) may raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The whistleblower could report the concerns to the Audit Committee of the Company directly by sending their concerns, through the following ways:

- **Mail**:

  Audit Committee
  Zhongchang International Holdings Group Limited
  Suite 1711, Tower 2, Times Square,
  1 Matheson Street, Causeway Bay,
  Hong Kong

- **Email**: whistleblower@zhongchangintl.hk

The Audit Committee held three committee meetings during the Reporting Period and the record of attendance of its members is as follows:

Name of member	Attendance/Number of meetings
Mr. Yip Tai Him *(Chairman)*	3/3
Mr. Liu Xin *(appointed on 12 May 2021)*	2/2
Ms. Yu Dan *(appointed on 12 May 2021)*	2/2
Mr. Wong Wai Leung *(resigned on 12 May 2021)*	1/1
Dr. Huang Qiang *(resigned on 12 May 2021)*	1/1

Note: The number of meetings represent the meetings held during the respective Directors' office term.

Nomination Committee

The Nomination Committee was established on 19 March 2012 and is governed by its terms of reference which was revised on 1 September 2013, which are available on the Company's website at http://www.zhongchangintl.hk and the Stock Exchange's website at http://www.hkexnews.hk.

For the period from 1 January 2021 to 14 January 2021, the Nomination Committee comprised two independent non-executive Directors and an executive Director, namely, Mr. Ma Yilin (the chairman of the Nomination Committee and an executive Director), Mr. Liew Fui Kiang and Mr. Wong Wai Leung respectively.

On 15 January 2021, Mr. Ma Yilin ceased to be chairman of the Nomination Committee. Mr. Chen Zhiwei has been appointed as the chairman of the Nomination Committee. With effect from 15 January 2021 to 11 May 2021, the Nomination Committee comprised the following members; (i) Mr Chen Zhiwei, the chairman of the Nomination Committee and an executive Director; (ii) Mr. Liew Fui Kiang, an independent non-executive Director; and (iii) Mr. Wong Wai Leung, an independent non-executive Director. With effect from 12 May 2021, Mr. Wong Wai Leung ceased to be a member of the Nomination Committee and Mr. Liu Xin has been appointed as member of the Nomination Committee. In this regard, from 12 May 2021 onwards, the Nomination Committee comprised the following members: (i) Mr. Chen Zhiwei, the chairman of the Nomination Committee and an executive Director; (ii) Mr. Liew Fui Kiang, an independent non-executive Director; and (iii) Mr. Liu Xin, an independent non-executive Director.

The principal duties of the Nomination Committee include, among other, (i) to review the structure, size and composition of the Board at least annually; (ii) to make recommendations to the Board on the appointment and reappointment of Directors of the Company; and (iii) to assess the independence of independent non-executive Directors of the Company. During FY2021 and up to the date of this report, the composition of the Nomination Committee complies with the requirements under Rule 3.27A of the Listing Rules.

During the Reporting Period, the Nomination Committee reviewed the composition and rotation of the Board and determined the policy for the nomination of Directors; and considered the appointments of new Directors.

The Nomination Committee held four committee meetings during the Reporting Period and the record of attendance of its members is as follows:

Name of member	Attendance/Number of meeting(s)
Mr. Chen Zhiwei *(Chairman) (appointed as chairman on 15 January 2021)*	2/2
Mr. Liew Fui Kiang	4/4
Mr. Liu Xin *(appointed on 12 May 2021)*	–
Mr. Ma Yilin *(Chairman) (resigned on 15 January 2021)*	0/2
Mr. Wong Wai Leung *(resigned on 12 May 2021)*	4/4

Note: The number of meetings represent the meetings held during the respective Directors' office term.

The Nomination Committee adopted the following procedures and criteria for nomination of Directors:

In relation to the nomination procedures:

1. When the Board considers it necessary to appoint a new Director, the Board evaluates the balance of skills, knowledge and experience of the Board, diversity of the Board and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification of information provided by the candidate.

6. Make recommendations to the Board on the appointment or re-appointment of Directors.

In relation to the nomination criteria:

1. Common Criteria for all Directors:

   (a) Character and integrity

   (b) The willingness to assume Board fiduciary responsibility

   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organisation, industry experience and familiarity with the products and processes used by the Company

   (e) Significant business or public experience relevant and beneficial to the Board and the Company

   (f) Breadth of knowledge about issues affecting the Company

   (g) Ability to objectively analyse complex business problems and exercise sound business judgment

   (h) Ability and willingness to contribute special competencies to Board activities

   (i) Fit with the Company's culture

2. Criteria applicable to non-executive Directors/independent non-executive Directors:

   (a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and Board Committee meetings

   (b) Accomplishments of the candidate in his/her field

   (c) Outstanding professional and personal reputation

   (d) The candidate's ability to meet the independence criteria for Directors established in the Listing Rules

BOARD DIVERSITY

The Company has adopted a board diversity policy ("**Board Diversity Policy**") since September 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. Pursuant to Rule 13.92 of the Listing Rules, the diversity of Board members can be achieved through consideration of a number of factors (including but not limited to gender, age, cultural and educational background, or professional experience). During the Reporting Period and up to the date of this report, the Company has a gender-diversed board and has considered the diversity of factors as mentioned above including professional background and skills of the Board. During the Reporting Period and up to the date of this report, the ratios of male-to-female Board members ranged between 9:1 and 7:2. Furthermore, the age of the Board members ranged between 30s and 60s with diversed experiences, including investments, accounting, and consumer and retail industries. The Board considers that it has met the measureable objectives and diversity under the Board diversity Policy during the Reporting Period and up to the date of this report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The consolidated financial statements for the Reporting Period were audited by Ernst & Young, whose term of office will expire upon the forthcoming AGM of the Company.

The reporting responsibilities of Ernst & Young are stated in the Independent Auditor's Report on pages 67 to 71 of the annual report.

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work. For the Reporting Period, the remuneration charged to the Group was HK$1.56 million for statutory audit services and HK$0.42 million for non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The management has overall responsibility to maintain appropriate and effective risk management and internal control systems, and the Board has the responsibility to review and monitor the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective. The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit department to carry out the internal audit function during the Reporting Period. The Company has conducted an annual review on whether there is a need for an internal audit department. Given the Group's corporate and operational structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

Regarding the internal control system, the Company has adopted a set of internal control policies and procedures (including but not limited to retaining Jones Lang LaSalle Management Services Limited as property manager of the core investment properties in Hong Kong) to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

A report of the risk management and internal control systems (the "**IC Report**") was submitted to the Audit Committee, and to the Board with recommendations from the Audit Committee for approval.

Directors and senior management are responsible for monitoring the performance of business operating units, identifying the operational risk of the Group and reporting to the Audit Committee for any significant risk identified.

The IC Report will report on the weakness in the Group's internal control and accounting procedure (if any) which have come to their attention during the course of their review. For the FY2021, the IC Report did not reveal any critical internal control issues have been identified.

Each year, the Audit Committee reviews the findings of the IC Report in respect of issues in the course of review, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report regarding the risks of the Group. The Audit Committee would also review the effectiveness of the internal control and risk management systems of the Group, including financial, operational and compliance, in the key activities of the Company's business, having considered the findings of the external auditor and the internal control report. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues including but not limited to material internal control defects and risks identified. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration. The Board would direct the management to implement the plans as appropriate.

The Board conducts a review of the effectiveness of the Group's risk management and internal control system at least annually. During the Reporting Period, in the Audit Committee meeting and Board meeting held in March 2021, the Directors, through the Audit Committee, have reviewed the effectiveness of the Group's risk management and internal control system which covers review on all material controls including financial, operational and compliance controls and the relevant report, and other duties under the Code for the Reporting Period, so as to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions. The Board considers such systems as effective and adequate.

Regarding the handling and dissemination of inside information, to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures and the preservation of confidential information, certain measures have been taken from time to time, which include:

1. the access of inside information is restricted to a limited number of employees on a need-to-know basis, who are fully aware of their obligations to preserve confidentiality; and

2. the executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

COMPANY SECRETARY

Mr. Chow Hok Lim ("**Mr. Chow**"), the Company Secretary appointed by the Board and an employee of the Company, possesses the necessary qualification and experience, and is capable of performing of the functions of the Company Secretary. Mr. Chow has taken not less than 15 hours of relevant professional training in each financial year as required under Rule 3.29 of the Listing Rules.

INVESTORS' RELATIONS AND COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

The Board shall maintain an on-going dialogue with Shareholders, investors and other stakeholders of the Company and shall ensure effective and timely dissemination of information to Shareholders and encourage their participation at general meetings of the Company.

The Shareholders' Communication Policy adopted on 19 March 2012 is available on the Company's website at http://www.zhongchangintl.hk. The communication channels of the Company include the AGM, special general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website at http://www.zhongchangintl.hk and the website of the Stock Exchange at http://www.hkexnews.hk and meetings with investors and analysts.

The Company's AGM is a valuable forum for the Board to communicate directly with Shareholders. Most Directors actively participates at the AGM and answer questions from Shareholders. The general meetings of the Company are also a channel to solicit and understand the views of its shareholders. The chairman of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing that their respective duly appointed delegate, are also available to answer questions at the AGM. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting of Shareholders to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

During the Reporting Period, the 2020 AGM was held on 21 June 2021. The attendance records of the Directors at the general meeting are set out in the section headed "The Board" of this report.

For enquiries to the Company, shareholders or stakeholders of the Company may send written enquiries to the Company, to the attention of Company Secretary, by email: info@zhongchangintl.hk. Shareholders and stakeholders of the Company shall note that verbal or anonymous enquiries are generally not entertained.

Furthermore, to maintain a dialogue with the Company's shareholders and stakeholders, shareholders and stakeholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

DIVIDEND POLICY

The Company has adopted the dividend policy (the "**Dividend Policy**") which has set out the principle and procedures for the payment of dividend to Shareholders to provide stable and sustainable returns to the Shareholders and to share the profits of the Company with the Shareholders. The Board may decide from time to time to declare interim dividends or to recommend the payment of final dividends and special dividends to the Shareholders.

The dividend amount shall be determined at the absolute discretion of the Board taking into account the following factors including but not limited to (1) the Group's financial performance; (2) the liquidity position and capital requirements of the Group; and (3) any other factors that the Board may consider appropriate, if profitable and without affecting the normal operations of the Group. As disclosed in this report, the Board did not recommend the declaration of final dividend for FY2021.

SHAREHOLDERS' RIGHTS

All resolutions put forward at Shareholders' meeting of listed issuers shall be voted by poll pursuant to the Listing Rules. Furthermore, to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. The poll voting results will be posted on the websites of the Stock Exchange at http://www.hkexnews.hk and of the Company at http://www.zhongchangintl.hk after each Shareholders' meeting.

Convening a Special General Meeting by Shareholders

Pursuant to bye-law 58 of the bye-laws of the Company, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the principal place of business of the Company, specifying the shareholding information of the Shareholder(s), his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two months after the deposit of such written requisition. If within twenty-one days of the deposit of such written requisition, the Board fails to proceed to convene such special general meeting, the Shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "**Companies Act**"). Pursuant to bye-law 59 of the bye-laws of the Company, the Company shall serve requisite notice of the general meeting, specifying the time, place of meeting and the general nature of the business.

Put Forward Proposals at a General Meeting by Shareholders

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next AGM notice of such resolution; and (b) circulate to Shareholders entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in such proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the requisitionists may consist of several documents in like form, each signed by one or more of the requisitionists; and it must be deposited at the registered office the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its Hong Kong principal office at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, for the attention of the Company Secretary, with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required by the Companies Act shall be deemed to have been properly deposited for the purposes thereof.

For enquiries to the Company, the Company will not normally entertain verbal or anonymous enquiries. Shareholders or Stakeholders may send written enquiries to the Company, for the attention of Company Secretary, by email: info@zhongchangintl.hk.

Amendments to the Company's Bye-Laws

During the Reporting Period, there was no change to the bye-laws of the Company.

ESG Report Publication

The Company published its ESG report at the same time as the publication of the annual report. For details, please refer to the Environmental, Social and Governance Report in this report.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Group is committed to delivering the best returns to its shareholders, as well as enhancing environmental and social values.

The Group is pleased to present its Environmental, Social and Governance ("**ESG**") report ("**ESG Report**") for the Reporting Period. With the ESG Report, it is hoped that stakeholders can have a more comprehensive understanding of the Group's policies, measures and performances in various environmental and social aspects. As for the information on corporate governance, please refer to the "Corporate Governance Report" on pages 29 to 43 of this annual report.

Scope of the ESG Report

The scope of the ESG Report covers the Group's business in property leasing. The business of property development is removed from the scope as compared to the FY2020 ESG Report due to the completion of equity transfer of the Shanghai Yuexin Group on 26 September 2021 and the Group ceased to engage in the property development business.

The environmental key performance indicators ("**KPI**") as disclosed in the ESG Report are based on the performance of the following premises[1], after considering their materiality to the operations of the Group:

i) the head office in Hong Kong

ii) Jardine Center, our core investment property in Hong Kong

1 The removal of the office of 鎮江天工頤景園房地產有限公司 (Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.) in Zhenjiang and金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Ltd.) in Jinhua, under the business of property development, from the reporting scope may lead to a considerable change in the KPI as compared to those disclosed in the ESG Report of the preceding reporting period.

Reporting Framework

The ESG Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Listing Rules following all the reporting principles.

(i) Materiality

The Group has determined the content of the ESG Report based on the results of the stakeholder engagement and materiality assessment as set out in Stakeholder Engagement and Materiality Assessment and has covered the key ESG issues of concern to stakeholders.

(ii) Quantitative

The environmental and social KPIs have been disclosed in the ESG report. The criteria, methodology and references used to calculate the KPIs are set out in the ESG report to provide stakeholders with a comprehensive understanding of the Group's ESG performance.

(iii) Consistency

The Group uses consistent reporting and calculation methods as far as reasonably practicable and details significant changes in data or methods in the corresponding chapters to achieve comparability of ESG performance over time.

Feedbacks and Contact

The Group values your feedback on the ESG Report and our sustainability performance. Should you have any advice, please feel free to send us your comments to the Group's principal place of business in Hong Kong at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or at info@zhongchangintl.hk.

OUR APPROACH TO ESG

The Group believes that well-established ESG principles and practices will increase investment values and provide long-term returns to stakeholders. We value the opinions of the stakeholders and reviews our level of sustainability to identify areas of improvement for environmental and social performance to look for areas of improvement.

Board Statement

The Board is responsible for the oversight of the Group's ESG-related issues, including performance, measures, laws and regulations. To aid the Board in doing so, the Audit Committee was assigned to directly monitor the execution of ESG-related actions and review the content and quality of the ESG report annually. An independent ESG consulting firm was appointed to carry out the instructions given by the Board and the Audit Committee regarding ESG issues.

The Board understands that it is essential to set ESG approach and strategy according to the importance of ESG issues towards the Group and its stakeholders, therefore has assigned the ESG consulting firm to conduct materiality assessment on ESG issues. To identify the material issues, stakeholder surveys have been carried out, and industry-specific issues were considered by using materiality maps together with professional advice. Directors have also participated in the engagement exercise and provided constructive opinions in determining the material ESG issues. The Board is well informed about the results and will keep reviewing the engagement channels and exercise.

To make sure the management of ESG issues is on the right track, the Board oversees the coordination between departments according to their respective targets. The Group also shares its progress in ESG with different stakeholders, most notably through the Group's annual ESG Report.

Stakeholder Engagement

Sustainability is upheld by the Group as an opportunity to achieve corporate growth, reduce environmental impact and entrust the communities where it operates. The Group appreciates the great importance of sustainability for the stakeholders. The Group has made substantial effort in ensuring that its stakeholders' value is sustained within its business operations during the Reporting Period.

The Group understands that it is vital to incorporate stakeholders' priorities and concerns into operations to attain sustainable development and continuous improvement. Regular engagement activities are conducted with its shareholders and investors, employees, customers, suppliers, and tenants to objectively examine material areas. It also engages with the community, regulatory bodies and media, whenever necessary.

Through engagement, it allows the Board to respond to issues that concern their stakeholder groups by carrying out corresponding measures. To ensure transparency and facilitate communication with internal and external stakeholders, formal and informal engagement channels are employed within the Reporting Period.

Stakeholder groups	Material issues concerning stakeholders	Engagement channels
Government and regulators	• Compliance with applicable policies, law and regulation • Support for local economic growth • Contribution in local employment • Tax payment in full and on time	• Regular reporting • Regular meetings with regulators • Dedicated reports • Examination and inspection
Shareholders and investors	• Operational compliance • Corporate governance • Increase in company value • Transparency and effective communication	• General meetings • Announcements and circulars • Email, telephone communication and company website • Annual and interim reports
Customers	• Outstanding products and services • Performance of contracts • Operation with integrity	• Customer service centre and hotlines • Customer survey • Meetings with customers • Customers visits
Environment	• Energy saving and emission reduction	• Implementation of environmental protection measures
Employees	• Protection of rights • Remunerations and benefits	• Meetings with employees • Employee mailbox • Notice boards • Training and workshop • Orientation session
Suppliers	• Operational compliance • Operation with integrity • Performance of contracts • Fair play	• Business communications • Exchange and discussion
Tenants/licensees[2]	• Outstanding services • Building safety and security • Performance of contracts • Operation with integrity	• Business communications
Community and the public	• Transparency	• Company website

[2] Tenants refer to the occupier(s) of the premises and/or utilities at Jardine Center.

Materiality Assessment

Given the relevance and validity of this ESG report with the Group's environmental and social performance, the Group has conducted a materiality assessment to identify ESG issues that are material to the business of the Group and its stakeholders. We have conducted an internal stakeholder survey in order to rate and prioritise the ESG issues according to the level of concern by stakeholders. With professional advice from the ESG consulting firm, we have also taken into consideration key ESG issues of concern to the industry by referring to the materiality maps provided by well-known external institutions[3]. As a result, we have identified 10 material issues which are discussed in details in the ESG Report.

Aspects	Material issues
Environmental	Environmental compliance Energy consumption Green office
Employment and Labor Practices	Employment compliance Occupational health and safety Training and education Remuneration and benefits
Operating Practices	Operational compliance Customer privacy protection Anti-corruption

[3] The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by Morgan Stanley Capital International (MSCI) and the Sustainability Accounting Standards Board (SASB).

OPERATING PRACTICES

Effective management of environmental, social and economic performance throughout the daily operation is considered as the core value of the Group. The Group displays commitment towards sustainable development by maintaining a close relationship with its suppliers and ensuring meticulous standards on its operation and business conduct.

Supply Chain Management

The Group values the partnership with suppliers and aims to collectively promote sustainable development. The Group is devoted to enhancing operation throughout its supply chains by maximising operational efficiency and minimising ESG risks.

Due to the nature of the Group's business in property leasing, it has no significant suppliers. The Group requires merely utilities and general daily supplies such as electricity, water and stationery for its administrative operations. The Group evaluates suppliers' product quality, delivery, compliance and other factors during the supplier selection process. For existing suppliers, regular evaluations are conducted and suppliers that do not meet the standards for cooperation are eliminated.

Environmental and social risks along the supply chain are also a key concern of the Group. The Group assigns specific personnel to check for the latest development in local supply chain-related policies and identify the potential environmental and social risks. When selecting suppliers, priority is always given to those with more outstanding environmental and social performance regarding aspects such as energy conservation, occupational safety, supply chain management and anti-corruption. Suppliers having relevant certification or international recognition are usually more highly valued, but on the other hand those involving in major corruption or safety incident are always downgraded.

Besides, the Group fosters sustainability in the office by implementing green procurement and encouraging the use of eco-friendly and energy saving products. We use and give priority to eco-friendly products, such as those with water or energy efficiency labels, using fewer packaging materials, having a longer shelf life or made of recyclable materials.

In Jardine Center, the Group is committed to maintaining a well-managed supply chain. The Group has commissioned Jones Lang LaSalle Management Services Limited ("**JLL**") as the building manager, with standard terms and conditions of purchase order/job order issued which requires contractors/suppliers to fully abide by all relevant laws and regulations and obtain all required approval/license from relevant government departments. The contractors/suppliers are required to strictly follow the environmental guidelines to employ measures that generate minimal environmental and noise pollution in their provision of services. Also, safety management guidelines were issued which require that the contractors/suppliers provide a safe working environment and sufficient training, information and supervision to their employees.

Service Quality and Customer Health and Safety

Operational excellence is one of the main targets of the Group. The Group achieves responsible operation through the maintenance of quality products and services and the assurance of health and safety of the customers and tenants. Different policies and measures for controlling and improving service quality and customer health and safety has been adopted in the Group's property leasing businesses. Because of the business nature of the Group, it is not involved in any matters related to advertising, product labeling and product recall.

For Jardine Center, the Group has entrusted JLL as the building manager, who itself is a reputable real estate services firm. To secure that Jardine Center does not impose any health and safety threats to its customers, JLL regularly inspects the lifts and fire services system and equipment. Regarding service quality, the Group always ensures minimal disruption and impact on the business operation of our tenants thus JLL maintains a steady supply of electricity and water by inspecting on the electricity system and pumping and drainage system regularly. Other systems such as air conditioning, lighting and fragrance dispensing system are also under strict control.

The Group values the opinions and complaints received from our customers. We continuously manage and track the opinions given by customers in any of the businesses. When complaints related to service quality are received, the staff in charge will handle immediately and the staff from different departments will work together for follow up actions, including independent investigation on the causes of the issues. We aim to minimise the impact on or inconvenience of our customers. During the Reporting Period, two complaints were received in Jardine Centre, which were all handled according to the abovementioned procedure.

Protection of Privacy and Intellectual Property Right

The Group strives to protect all customers' and employees' information and eliminate unnecessary data security risks by complying with relevant laws and regulations, such as the Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong.

The Group collects personal information legally, with all the usage of the information being limited by contracts. Data are stored in protected servers under information technology controls and security infrastructure. Strict control is also imposed with regard to access to confidential or proprietary information provided by clients, suppliers, employers and employees that authorisation is required for having access to the information.

The Group also values intellectual property rights and hence implemented the intellectual property management system. It requires the Group to obtain proper authorisation and licensing agreement and adheres strictly to the terms of use before any utilisation of intellectual property. In protecting respective intellectual properties, all computers at the head office in Hong Kong are equipped with individual formal license.

Anti-Corruption

The Group operates with the highest standards of business integrity and ethical standards and strives to establish a positive atmosphere of operation with integrity by adopting a number of measures. With proper management and strict control on employees' business conduct, the Group had no reported or prosecuted case or litigation relating to bribery, extortion, fraud or money laundering during the Reporting Period.

The Group implements the Employee Code of Conduct which was developed with reference to the Prevention of Bribery Ordinance (Cap.210) and other relevant anti-corruption regulations. The code of conduct requires strict abidance from employees and specifies that except gifts or favours of a token nature which are considered acceptable, under no other circumstances should employees offer, solicit or accept anything of material value from any parties, unless consent has been given by the Group. The Group has provided effective whistle-blowing channels for reporting on suspected corruption, theft, fraud and embezzlement cases. Besides, the Board strictly follows the Model Code and guarantees that all interested dealings are conducted in compliance with the code. During the Reporting Period, Directors and certain employees have attended external training on the requirement of directors in listed companies which covered anti-corruption-related topics such as on how to avoid actual and potential conflicts of interest to maintain independence.

In addition, the Group is committed to strengthening its internal management and further preventing disciplinary violations. Employees are encouraged to report to the Group on any irregularities or violations regarding bribery, extortion, fraud or money laundering through convenient reporting channels.

EMPLOYMENT

Recruiting and retaining engaged talents are of the essence to the sustainable growth of the Group. The Group is committed to providing a safe, healthy and productive working environment for its employees, as well as supporting their career development to unleash their greatest potential.

Recruitment and Compensation

The Group's talent acquisition, promotion, compensation and dismissal procedures are governed by the relevant laws and regulations including the Employment Ordinance (Cap. 57) of Hong Kong. During recruitment, submission of legitimate identification, education and work references, and other relevant documents are strictly required from all candidates. It guarantees that all recruits are thoroughly vetted to meet all criteria needed to fulfill relevant job duties and their identify information is verified to prevent child and forced labour. If child labour is discovered, the Group would investigate the case thoroughly and dismiss relevant employees immediately. Within the Reporting Period, no cases of child or forced labour were identified by the Group.

When an employee applied for dismissal, the Group would identify and manage issues related to employee turnover and might conduct an exit interview to better understand the reasons for leaving.

The Group offers a competitive compensation package as outlined in the employees' contracts by adhering to the Minimum Wage Ordinance (Cap. 608) of Hong Kong and Mandatory Provident Fund Schemes Ordinance (Cap. 485) of Hong Kong. To optimise performance, a performance-based reward system is established. The Group conducts annual performance appraisals on employees' individual possession of attributes and job performance and salary are then adjusted annually in accordance with the result of their performance review.

Rights and Benefits

Employees of the Group are fully protected by the Employment Ordinance (Cap. 57) of Hong Kong. The job duties and working hours of employees are clearly stated in the employment contract to prevent any forms of forced labour. If forced labour is discovered, the Group would investigate the case thoroughly and dismiss the relevant forced employees immediately. Within the Reporting Period, no cases of forced labour were identified by the Group.

Besides, we offer paid annual leave, sick leave, maternity and paternity leave, examination leave, medical insurance, provident fund and allowances, as well as long service payments to all eligible employees. The Group sets the working hours to be a maximum of 8 hours per day or 40 hours per week. Overtime work is not encouraged by the Group but will be compensated at a premium rate depending on the situation.

Anti-discrimination

The Group strives to secure a discrimination-free workplace by complying with the Sex Discrimination Ordinance (Cap. 480) of Hong Kong. The Group has formulated the policy on equal employment opportunities, which indicated that recruitment procedures are observed equitably and fairly, under which potential candidates and current employees are considered for recruitment, internal transfer and promotion regardless of their sex, nationality, marital status, disability and religious belief. To eliminate discrimination at the workplace, all employees are entitled to and offered the same benefits and treatment. In Hong Kong, we have also established the Guidelines on Sexual Harassment.

During the Reporting Period, no cases of material non-compliance with relevant labour-related laws and regulations were found. There were also no cases of complaints with regard to workplace discrimination or harassment.

Health and Safety

Ensuring the health and safety of our employees is the Group's priority. The Group stresses the importance of health and safety of our employees in our daily operations by strictly conforming to the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong. We have detailed in the Employee's Handbook the guidelines for ensuring occupational health and safety and the procedures to be taken in case of accidents, injuries or fire at work. The Group is also committed to providing a healthy and safe working environment by eliminating all risks of occupational health and safety. Over the past three reporting periods, there were no work-related injuries and fatalities, hence there were no lost days due to work injury, thanks to the effort put by the Group in creating an injury-free business environment.

The Group also cares about the occupational health and safety of the employees of JLL, which is the building manager of Jardine Center. We require that all operations carried out by JLL need to be in strict compliance with the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong. An occupational health and safety work procedure guideline are in place for Jardine Center, providing occupational safety principles for potential risks, implementation and monitoring mechanisms, as well as guidelines on handling emergency incidents, such as injury, fire and chemical spills and leakage.

Training and Development

To attain sustainable business growth, providing training and development programmes to employees are essential. New Director(s) are required to receive director training specifically designed for them. During the Reporting Period, the Directors have attended training which covered topics on board members' responsibility on ESG-related matters and ESG reporting requirement. The training helps directors to perform their roles more effectively and improve the management of the Group. During the Reporting Period, 44% of employees of the Group were trained in Hong Kong.

Besides, employee performance appraisals are performed periodically to allow employees to receive feedback on their performance, identify areas for and ways of improvement, as well as agree on training needs, whenever necessary. The Group recognises and rewards employees' contribution, work performance and skills. Internal promotion is considered before external hiring to promote employee development.

COMMUNITY

The Group believes that compensating to society and contributing to the common good is at the core of its intrinsic value. In addition to focusing on business development, the Group always strives to contribute to the minority in need and support the surrounding environment. The Group actively encourages our employees to participate in voluntary activity and render assistance to the needy.

Also, Jardine Center continued to participate in the Charter on External Lighting during the Reporting Period. The Group committed that all the external lighting of Jardine Center are switched off from 12 a.m. to 7 a.m. It helps to reduce the number of people that may be affected by the nuisance lighting at night.

The Group possesses a location advantage in Hong Kong as centering at the business and tourist hub of Hong Kong Island. Jardine Center is able to attract a wide scope of customers that include not only locals but tourists. The Group's operation has fostered the prosperity of the city's tourism and retail industry. In the future, the Group will continue to engage with the community and demonstrate our roles as a responsible corporation.

ENVIRONMENT

Climate change has become a common topic among businesses in recent years that is likely to pose risks and threats to business operation. Although the Group's businesses of property leasing do not have significant direct impacts on the environment and natural resources, we still recognise the potential indirect impacts our operations might induce. The Group strives to build a greener future through active environmental management.

The Group follows all relevant laws and regulations in our daily operation, including but not limited to Air Pollution Control Ordinance (Cap. 311) of Hong Kong and Waste Disposal Ordinance (Cap. 354) of Hong Kong. Efforts have been made to advocate environmental conservation and compliance among employees, tenants and building users via the pursuit of environmental measures.

During the Reporting Period, the Group did not record any material violations regarding relevant environmental laws and regulations.

Environmental Goals and Progress

The Group is committed to maintaining transparency and tracking the progress of the various initiatives that address its goals set in the Reporting Period. The table below highlights our environmental-related goals in different areas. The Group also ensures that its environmental impacts are minimised through continuous improvement and promises to constantly monitor the progress of its goals.

Aspects	Our Goals	Section with Corresponding Measures
Emissions	Minimise greenhouse gas ("**GHG**") emission	Energy Conservation and GHG Reduction
Waste	Proper disposal of waste to minimise the impact on the environment	Waste Reduction
Electricity	Ensure efficient use of energy	Energy Conservation and GHG Reduction
Water	Ensure efficient use of water	Water Conservation

Emissions

The operation of the Group does not generate water pollutants because of its business nature. Due to the change in reporting scope, the Group did not have vehicle usage during the Reporting Period, hence there was no generation of air pollutants. The main emission of the Group is the indirect GHG emission from electricity consumption, water consumption at the workplace and paper waste discarded at landfills.

Also, the tenants in Jardine Center generated a relatively small amount of indoor air emissions which may affect the indoor air quality of Jardine Center. The Group thereby pays utmost attention to enhance the comfort level of the tenants and building users at Jardine Center by working closely with JLL to require all tenants to adhere to the Air Pollution Control Ordinance (Cap. 311) of Hong Kong during their daily operations.

Waste Generation

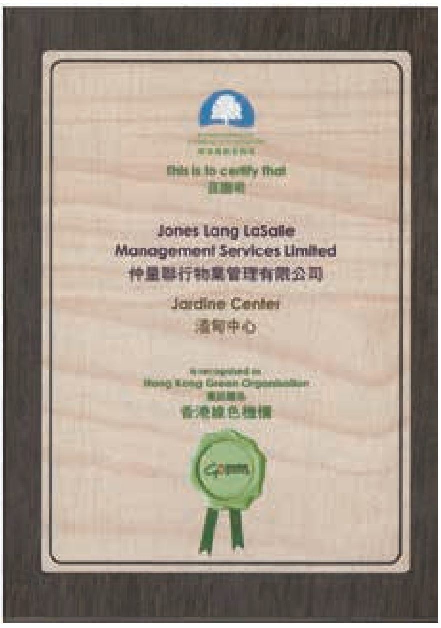
Non-hazardous waste of the Group mainly includes general domestic waste and waste paper generated from office operation. The Group only produces a small amount of hazardous waste, which are toner cartridges, from the daily operation. Both hazardous and non-hazardous waste is collected and handled by qualified cleaning company.

Resources Usage

To support the Group's businesses and operations, resources are always consumed. Electricity is the major energy consumed by the Group as it is used frequently in offices and Jardine Center. Other sources of energy consumption include fuel consumption of vehicles for the operation of our offices and the emergency generator in Jardine Center. The Group also relies on paper for its business operation and water is also consumed in offices especially in the toilets.

Emissions Reduction and Resources Conservation

The Group believes that energy, water, and other resources saving are significant to reduce GHG emission and reduce waste generation during the operation. During the Reporting Period, the Group's business operation did not generate any significant air pollutant. With the Group's continuous substantial efforts and achievements in green management, Jardine Center was recognised by the Environmental Campaign Committee as Hong Kong Green Organisation.



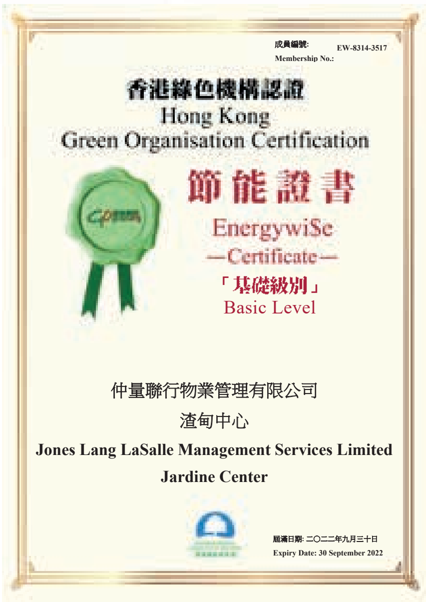
Energy Conservation and GHG Reduction

The Group has adopted a number of measures for maximising energy efficiency and preventing wastage. For instance, the Group encourages all employees to switch off unnecessary light and air-conditioning. The Group maximises the use of natural light in offices and cleans all the light fixtures and air conditioners regularly to maintain high energy efficiency. Under high temperature and on Friday, employees in some of our offices are not required to wear suits to reduce the demand for air-conditioning. We also set the minimum temperature of the air-conditioning at around 26°C to reduce energy use.

In Jardine Center, the Group also concerns about the use of energy in the common area of the building. The building was built and operated in accordance with the Buildings Energy Efficiency Ordinance (Cap. 610) and we constantly improve the building's energy efficiency performance and introduce energy conservation opportunities. During the Reporting Period, we continued to cooperate with JLL to join the EnergyWi$e organised by the Hong Kong Awards for Environmental Excellence and Jardine Center has been awarded the Energywi$e Certificate on energy saving for our effort in energy conservation. Jardine Center continued to support the Charter on External Lighting launched by the Government of the HKSAR and has pledged to switch off all lighting installations from 12 a.m. to 7 a.m. to cut energy consumption and hence GHG emission. Jardine Center was awarded the Gold Award for its efforts in cutting down the use of external lighting during the Reporting Period.

Water Conservation

To reduce water consumption, the Group has adopted various measures. For example, the Group has posted signs on each toilet to remind its employees to close the faucets after usage and conserve water. In Jardine Center, the Group strengthens the maintenance of water equipment and regularly inspects and replaces aging faucets to minimise water leakage. Tenants are also encouraged to cut down on their water usage in the common area such as toilets. During the Reporting Period, the Group has no issue in sourcing water that is fit for purpose.



Waste Reduction

With the business principally operating in offices, green office practices are crucial in reducing waste generation and conserving resources. The Group encourages employees to reuse stationery such as envelopes and folders to reduce possible waste. We also purchase reusable, recyclable and refillable products such as refillable pens and reusable toner cartridges to replace those disposable ones in our offices.

For Jardine Center, we work closely with JLL for waste management. Measures to reduce the amount of waste generated within Jardine Center were adopted, including waste avoidance and reduction by product reuse, collection and recycling of recyclable materials and purchase of recycled materials during product procurement. For the building users, recycling bins have been stationed to encourage recycling. Tenants are also encouraged to voluntarily participate in the Food Waste Recycling Partnership Scheme organised by the Environmental Protection Department. Other wastes such as waste cooking oil and construction waste generated by the tenants are required to be handled under strict compliance with relevant laws and regulations.

Climate Change

Recognising the importance of identifying and managing the risks associated with climate change, the Group has taken different measures to assess and mitigate the risks. The Group has identified different physical risks, such as increase in extreme weather events and change in precipitation patterns which could pose threats to the business and its financial performance, such as the increase in insurance premiums. Besides, climate change may pose various transitional risks, such as shifts in consumer preferences, increase in stakeholder concern and legal risks. With increased emissions reporting obligations, the Group's operating costs may increase. The Group is also more likely to be exposed to litigation over increased climate-related compliance obligations.

To mitigate climate-related risks, the Group reviews policies and regulations to identify potential climate-related risks and reserves capital for emergency use in case of extreme weather events. Due to its business nature, the Group focuses on property safety by maintaining comprehensive insurance coverage for properties that are prone to damage by extreme weather or other physical impacts caused by climate change. During extreme weather conditions or events, a safety warning will be issued and special working arrangements will be put in place to ensure the safety of employees and workplaces.

KEY PERFORMANCE INDICATORS

Environmental Indicators	2021
Air Pollutants (Note (i))	
Nitrogen oxides (kg)	0.00
Sulphur oxides (kg)	0.00
Particulate matter (kg)	0.00
Greenhouse Gases	
Total GHG emissions (tonnes CO_2e) (Note (ii))	164.96
Scope 1: Direct emissions (Note (iii))	2.05
Scope 2: Energy indirect emissions (Note (iv))	149.36
Scope 3: Other indirect emissions (Note (v))	13.55
Emissions per million HKD of revenue (tonnes CO_2e)	4.51
Waste	
Total amount of non-hazardous waste (tonnes) (Note (vi))	2.24
Amount of non-hazardous waste per million HKD of revenue (tonnes)	0.06
Total amount of hazardous waste (kg)	11.00
Amount of hazardous waste per million HKD of revenue (kg)	0.30
Use of Resources	
Total energy consumption (MWh)	218.76
Direct energy consumption (Note (vii))	8.39
Indirect energy consumption (Note (viii))	210.37
Energy consumption per million HKD of revenue (MWh)	5.98
Total water consumption (m^3) (Note (ix))	14,314.00
Water consumption per million HKD of revenue (m^3)	391.16

Note:

(i) During the Reporting Period, the Group did not have vehicle usage. As a result, there was no generation of air pollutants.

(ii) The calculation of carbon emissions is based on Appendix 2 "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong ("**Appendix 2**"). The Group inventory includes carbon dioxide, methane and nitrous oxide. For ease of reading and understanding, the greenhouse gas emissions data is presented in carbon dioxide equivalent (CO_2e).

(iii) Scope 1 includes emissions from the combustion emergency generators. The emission factors used are from Appendix 2.

(iv) Scope 2 includes emissions from purchased electricity. The calculation is based on the emission factor provided by the Hong Kong Electric Company.

(v) Scope 3 includes emissions from water processing, and paper waste disposed of at landfills. The emission factors used are from Appendix 2. During the Reporting Period, the Group did not have business air travel.

(vi) Emissions data relating to non-hazardous waste is based on the daily estimated volume of general waste in the office and the volume-to-weight conversion factors provided by the United States Environmental Protection Agency.

(vii) Direct energy consumption includes combustion of fuels in emergency generators. The conversion factors used are from Appendix 2.

(viii) Indirect energy consumption includes purchased electricity.

(ix) Water consumption at the head office in Hong Kong is not available because it shares a lavatory with other tenants within the commercial building.

Social Indicators	2021
Total Workforce	
By gender	
Male	4
Female	5
By employment type	
Full-time	9
Part-time	0
By age	
<30	1
30-50	5
>50	3
By geographical region	
The PRC	0
Hong Kong	9
Employee Turnover Rate (%) (Note (x))	
By gender	
Male	10
Female	0
By age	
<30	0
30-50	6
>50	0
By geographical region	
The PRC	0
Hong Kong	12
Average Training Hours (hrs) and Percentage of Employees Trained (%) (Note (x))	
By gender	
Male	0.75(75)
Female	0.20(20)
By employment category	
Senior	0.50(50)
Middle	0.75(75)
Junior	0.00(0)

Note:

(x) The calculation of employee turnover rate and percentage of employees trained are based on Appendix 3 “Reporting Guidance on Social KPIs” issued by the Stock Exchange of Hong Kong.

CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment – Emissions, Waste Generation, Resources Usage	54-56
KPI A1.1	The types of emissions and respective emissions data.	Key Performance Indicators	58-60
KPI A1.2	Direct and energy indirect greenhouse gas emissions in total and intensity.	Key Performance Indicators	58-60
KPI A1.3	Total hazardous waste produced and intensity.	Key Performance Indicators	58-60
KPI A1.4	Total non-hazardous waste produced and intensity.	Key Performance Indicators	58-60
KPI A1.5	Description of emissions target set and steps taken to achieve them.	Environment – Environmental Goals and Progress, Emissions Reduction and Resources Conservation	55-57
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target set and steps taken to achieve them.	Environment – Environmental Goals and Progress, Waste Generation, Emissions Reduction and Resources Conservation	55-57

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment – Resources Usage	56
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Key Performance Indicators	58-60
KPI A2.2	Water consumption in total and intensity.	Key Performance Indicators	58-60
KPI A2.3	Description of energy use efficiency target set and steps taken to achieve them.	Environment – Environmental Goals and Progress, Emissions Reduction and Resource Conservation	55-57
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target set and steps taken to achieve them.	Environment – Environmental Goals and Progress, Emissions Reduction and Resource Conservation	55-57
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	N/A	The Group's business does not involve the use of packaging materials.
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment – Emissions Reduction and Resource Conservation	56-57
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment – Emissions Reduction and Resource Conservation	56-57
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment – Climate Change	57
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment – Climate Change	57

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
B. Social			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment – Recruitment and Compensation, Rights and Benefits, Anti-Discrimination	51-52
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Key Performance Indicators	58-60
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Indicators	58-60
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment – Health and Safety	53
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employment – Health and Safety	53
KPI B2.2	Lost days due to work injury.	Employment – Health and Safety	53
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	Employment – Health and Safety	53

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment – Training and Development	53
KPI B3.1	The percentage of employees trained by gender and employee category.	Employment – Training and Development, Key Performance Indicators	53, 58-60
KPI B3.2	The average training hours completed per employee by gender and employee category.	Key Performance Indicators	58-60
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment – Recruitment and Compensation, Rights and Benefits	51-52
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment – Recruitment and Compensation, Rights and Benefits	51-52
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered.	Employment – Recruitment and Compensation, Rights and Benefits	51-52

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management	49
KPI B5.1	Number of suppliers by geographical region.	Operating Practices – Supply Chain Management	49
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Operating Practices – Supply Chain Management	49
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating Practices – Supply Chain Management	49
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating Practices – Supply Chain Management	49
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices – Service Quality and Customer Health and Safety, Protection of Privacy and Intellectual Property Right	50
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	The Group's business does not involve in product recall.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Operating Practices – Service Quality and Customer Health and Safety	50
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practices – Protection of Privacy and Intellectual Property Right	50

ESG Indicators	Description	Chapters	Page no./ Explanation/ Reasons for Omissions
KPI B6.4	Description of quality assurance process and recall procedures.	Operating Practices – Service Quality and Customer Health and Safety	50
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Operating Practices – Protection of Privacy and Intellectual Property Right	50
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering.	Operating Practice – Anti-Corruption	51
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Operating Practice – Anti-Corruption	51
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operating Practice – Anti-Corruption	51
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Operating Practice – Anti-Corruption	51
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community	54
KPI B8.1	Focus areas of contribution.	Community	54
KPI B8.2	Resources contributed to the focus area.	N/A	The Group's community investment did not involve in resource contribution.

EY 安永

TO THE SHAREHOLDERS OF
ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
(Incorporated in the Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhongchang International Holdings Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 72 to 149, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties	
The Group owns investment properties in Hong Kong which were measured at fair value and their aggregate carrying amount was HK$1,827,300,000 as at 31 December 2021, which represented 92.75% and 169.45% of the Group's total assets and net assets, respectively. The Group has engaged an external valuer to perform the valuation of these properties as at 31 December 2021. Significant judgement is required to determine the fair values of the investment properties, which reflects market conditions as at the end of the reporting period. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Accordingly, the valuation of investment properties is considered as a key audit matter. The accounting policies and disclosures of the investment properties are included in Notes 3, 4 and 18 to the consolidated financial statements.	Our audit procedures included, among others, the following: 1) We evaluated the competency, capabilities, independence and objectivity of the external valuer. 2) We ascertained the valuation approach and key assumptions used by the external valuer and assessed the correctness of the property related data used as inputs for the valuation. 3) We involved our internal valuation experts to assist us in evaluating the valuation techniques, the underlying assumptions and the source data used in the valuation by benchmarking them to relevant market information on a sample basis. 4) We evaluated the disclosures on the valuation of the investment properties.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

Ernst & Young
Certified Public Accountants
Hong Kong

29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CONTINUING OPERATIONS			
Revenue	5	**36,594**	36,990
Other income, net	7	**433**	11,663
Net loss in fair value of investment properties	18	**(35,700)**	(58,600)
Staff costs	8	**(7,846)**	(11,277)
Depreciation of property, plant and equipment	16	**(786)**	(989)
Depreciation of right-of-use assets	17	**(1,197)**	(1,224)
Impairment losses under expected credit loss model	8	**(612)**	–
Other operating expenses		**(14,688)**	(20,526)
Loss from continuing operations	8	**(23,802)**	(43,963)
Gain on disposal of subsidiaries	32	**414,955**	8,431
Finance costs	9	**(18,865)**	(29,305)
Profit/(loss) before tax from continuing operations		**372,288**	(64,837)
Income tax expense	12	**(4,229)**	(5,981)
Profit/(loss) for the year from continuing operations		**368,059**	(70,818)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	13	**(121,776)**	(110,262)
Profit/(loss) for the year		**246,283**	(181,080)
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(2,638)**	(11,599)
Other comprehensive loss for the year, net of tax		**(2,638)**	(11,599)
Total comprehensive income/(loss) for the year		**243,645**	(192,679)
Profit/(loss) for the year attributable to the owners of the Company		**246,283**	(181,080)
Total comprehensive income/(loss) for the year attributable to the owners of the Company		**243,645**	(192,679)
Earnings/(loss) per share attributable to ordinary equity holders of the Company			
Basic and diluted			
– For profit/(loss) for the year (in HK cents)	15	**21.89**	(16.10)
– For profit/(loss) from continuing operations (in HK cents)	15	**32.72**	(6.29)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**308**	1,127
Right-of-use assets	17	**998**	2,748
Investment properties	18	**1,827,300**	1,863,000
Financial assets at fair value through profit or loss	20	**–**	5,941
		1,828,606	1,872,816
Current assets			
Properties for sale	21	**–**	628,372
Trade and other receivables, deposits and prepayments	22	**4,902**	43,815
Tax recoverables		**37**	3,185
Cash and cash equivalents	23	**136,575**	356,144
		141,514	1,031,516
Current liabilities			
Trade and other payables, deposits and accrued expenses	24	**12,426**	440,807
Lease liabilities	17	**1,094**	1,747
Bank and other borrowings	25	**857,797**	1,604,842
Tax payables		**2,511**	3,214
		873,828	2,050,610
Net current liabilities		**(732,314)**	(1,019,094)
Total assets less current liabilities		**1,096,292**	853,722
Non-current liabilities			
Other payables and deposits	24	**5,975**	6,010
Lease liabilities	17	**–**	1,126
Deferred tax liabilities	26	**11,925**	11,839
		17,900	18,975
Net assets		**1,078,392**	834,747
CAPITAL AND RESERVES			
Share capital	27	**112,502**	112,502
Reserves	28	**965,890**	722,245
Total equity		**1,078,392**	834,747

These consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2022 and signed on its behalf by:

CHEN Zhiwei
Director

KU Ka Lee
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to the owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Convertible notes equity reserve HK$'000	Contributions from shareholders HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2020	112,502	168,300	9,628	(9,491)	5,619	233,606	–	507,262	1,027,426
Loss for the year	–	–	–	–	–	–	–	(181,080)	(181,080)
Other comprehensive loss, net of tax:									
Items that may be reclassified subsequently to profit or loss:									
Exchange difference on translating foreign operations	–	–	–	(11,599)	–	–	–	–	(11,599)
Total comprehensive loss for the year	–	–	–	(11,599)	–	–	–	(181,080)	(192,679)
Release of convertible notes equity reserve upon redemption of convertible note at maturity	–	–	–	–	(5,619)	–	5,619	–	–
At 31 December 2020 and 1 January 2021	112,502	168,300*	9,628*	(21,090)*	–*	233,606*	5,619*	326,182*	834,747
Profit for the year	–	–	–	–	–	–	–	246,283	246,283
Other comprehensive loss, net of tax:									
Items that may be reclassified subsequently to profit or loss:									
Exchange difference on translating foreign operations	–	–	–	(2,638)	–	–	–	–	(2,638)
Total comprehensive income for the year	–	–	–	(2,638)	–	–	–	246,283	243,645
At 31 December 2021	112,502	168,300*	9,628*	(23,728)*	–*	233,606*	5,619*	572,465*	1,078,392

Note:

The contributions from shareholders represent the aggregation of discount on acquisition of an indirect wholly-owned subsidiary, Uptodate Management Limited ("**Uptodate**"), with the amount of approximately HK$233,606,000 from one former controlling shareholder – Mr. Ng Chun For, Henry.

* These reserve accounts comprise the consolidated reserves of HK$965,890,000 (2020: HK$722,245,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**372,288**	(64,837)
From a discontinued operation	13	**(121,776)**	(110,262)
		250,512	(175,099)
Adjustments for:			
Depreciation of property, plant and equipment	16	**801**	1,006
Depreciation of right-of-use assets	17	**1,551**	1,672
Net loss in fair value of investment properties	18	**35,700**	58,600
Interest income	7,13	**(2,768)**	(1,878)
Interest expenses	9,13	**93,299**	120,027
Fair value loss on financial assets at fair value through profit or loss	7	**6,024**	–
Write-down of properties under development to net realisable value	13	**36,751**	–
Impairment losses under expected credit loss model	8,13	**5,887**	7,628
Gain on disposal of subsidiaries	32	**(414,955)**	(8,431)
Fair value loss of derivative financial asset component of convertible notes	7	**–**	89
Operating cash flows before changes in working capital		**12,802**	3,614
Increase in properties for sale		**(99,499)**	(564,945)
(Increase)/decrease in trade and other receivables, deposits and prepayments		**(233,335)**	186,396
Increase in trade and other payables, deposits and accrued expenses		**413,903**	384,376
CASH GENERATED FROM OPERATIONS		**93,871**	9,441
Interest paid		**(18,481)**	(34,710)
Tax paid		**(8,237)**	(7,758)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**67,153**	(33,027)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**–**	(21)
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries	32	**(99,582)**	201,065
Proceeds from disposal of items of property, plant and equipment		**–**	37
Interest received		**2,768**	1,878
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(96,814)**	202,959

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		**–**	23,443
Repayment of bank and other borrowings		**(191,910)**	(41,910)
Repayment of convertible note		**–**	(11,000)
Payment of lease liabilities	17	**(1,784)**	(1,877)
NET CASH USED IN FINANCING ACTIVITIES		**(193,694)**	(31,344)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(223,355)**	138,588
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**356,144**	205,947
Effect of foreign exchange rate changes		**3,786**	11,609
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**136,575**	356,144

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company acts as an investment holding company and the principal activities of the Group are property leasing and property development (discontinued upon completion of disposal of Shanghai Yuexin Enterprise Management Consultancy Co., Limited* (上海岳信企業管理諮詢有限公司) ("**Shanghai Yuexin**") and its sole subsidiary, Zhenjiang Tiangong Yijingyuan Real Estate Co., Limited* (鎮江天工頤景園房地產有限公司) ("**Zhenjiang Tiangong**") (collectively as "**Shanghai Yuexin Group**") on 26 September 2021).

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

In the opinion of the directors of the Company (the "**Directors**", and each a "**Director**"), as at 31 December 2021, the largest shareholder of the Company is China Cinda (HK) Asset Management Co., Limited ("**China Cinda (HK)**"), a company incorporated in Hong Kong.

Information about subsidiaries

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

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the Company		Principal activities
			Direct	Indirect	
Agile Scene Limited ("**Agile Scene**")	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Bond Victory Limited	Hong Kong	Ordinary HK$5,000	–	100%	Property investment
Capital Garden Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
China Charter Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
Crystal City Global Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
High Morality Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the Company		Principal activities
			Direct	Indirect	
Joy Depot Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Max Act Enterprises Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	–	100%	Investment holding
New Headland Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
New Treasure Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	–	Investment holding
Perfect Shield Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Pioneer Delight Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment
Powell View Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Red Ribbon Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Rose City Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the Company Direct	Indirect	Principal activities
Sharp Wonder Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Shenwei (Hong Kong) Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
Smart Land Properties Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
Top Bright Properties Limited	Hong Kong	Ordinary HK$9,999 Deferred share HK$1	–	100%	Property investment
Top Grade Properties Limited	Hong Kong	Ordinary HK$1	–	100%	Property investment
Wealth Properties Limited	Hong Kong	Ordinary HK$100	–	100%	Property investment
Wingplace Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Investment holding
Zhongchang International Holdings Management Limited	Hong Kong	Ordinary HK$1	100%	–	Provision of administration services to group companies
浙江自貿區鑫盛海洋產業投資有限公司** (Zhejiang Free Trade Zone Xinsheng Marine Industry Investments Co., Limited*)	The People's Republic of China (the "**PRC**")	Registered capital: RMB84,000,000; paid-up capital RMB84,000,000	–	100%	Investment, development and construction of ocean engineering and real estates; investment and development of tourism project; and real estate agent services; consultation of information services; property management and property leasing

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the Company Direct	Indirect	Principal activities
佛山快彤物業服務有限公司*** (Foshan Express Property Service Co., Limited*)	The PRC	Registered capital: RMB500,000,000; paid-up capital RMB0	–	100%	Property management, provision of real estate intermediate services, family services and construction works
舟山銘義文化產業投資有限公司** (Zhoushan Mingyi Cultural Assets Investment Co., Limited*) ("**Zhonshan Mingyi**")	The PRC	Registered capital RMB600,000,000; paid-up capital RMB4,520,000	–	100%	Investment holding
上海薈昌企業管理諮詢有限公司** (Shanghai Huichang Enterprise Management Consultancy Co., Limited*)	The PRC	Registered capital RMB500,000,000; paid-up capital RMB0	–	100%	Provision of administrative services to Group companies
舟山銘泰物業管理有限公司*** (Zhoushan Mingtai Property Management Co., Limited*) ("**Zhoushan Mingtai**")	The PRC	Registered capital RMB84,000,000; paid-up capital RMB84,000,000	–	100%	Investment holding
舟山銘舟置業有限公司*** (Zhoushan Mingzhou Real Estate Co., Limited*)	The PRC	Registered capital RMB500,000,000; paid-up capital RMB10,000,000	–	100%	Investment holding

* For identification purpose only.

** The company is registered as a wholly owned foreign enterprise in the PRC.

*** The company is registered as a limited liability company in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

2.1 BASIS OF PREPARATION

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

Going concern

As at 31 December 2021, the Group's total current liabilities exceeded its total current assets by approximately HK$732,314,000 (2020: HK$1,019,094,000). The Directors considered that the controlling shareholder has intention to provide unconditional continuing financial support to the Company so as to enable the Company to meet its liabilities as and when they fall due. Accordingly, the Directors believe that the Group has adequate resources to continue its operations in the foreseeable future of not less than 12 months from the end of the reporting period. Therefore, they are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("**HIBOR**") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or and Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to* HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

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

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

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

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

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

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associates, the Group measures and recognises any retained investments at their fair values. Any difference between the carrying amounts of the associate upon loss of significant influence and the fair values of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. The recoverable amount of the CGUs has been determined based on the higher of the value in use ("**VIU**") and fair value less costs of disposal ("**FVLCD**"). Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

Fair value measurement

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its FVLCD, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Over the shorter of the lease terms or 5 years
Furniture, fixtures and equipment	4-5 years

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

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

Investment properties

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 4 years

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

(b) Lease liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

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

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, deposits and accrued expenses, bank and other borrowings and lease liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Revenue recognition

Revenue from contracts with customers

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

Revenue from other sources

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

Pension scheme

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

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Foreign currencies

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Fair value of investment properties

Investment properties carried at fair value, were revalued at the end of each of the reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each of the reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amounts of investment properties at 31 December 2021 and 2020 were HK$1,827,300,000 and HK$1,863,000,000, respectively.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. REVENUE

	2021 **HK$'000**	2020 HK$'000
Gross rental income from investment properties in Hong Kong	**36,594**	36,990

6. SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors of the Company (the "**Board**"), being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's operating and reportable segments are therefore as follows:

(i) Property investment – leasing of investment properties in Hong Kong; and

(ii) Property development in the PRC, which was discontinued subsequent to completion of disposal of Shanghai Yuexin on 26 September 2021.

On 26 September 2021, Shanghai Yuexin Group, the subsidiaries of the Group, which engaged in property development were disposed and the Group ceased its property development business. The property development segment revenue and results were included in the Note 13 to the consolidated financial statements. Accordingly, no operating segment is presented.

Geographical information

The following tables set out information about the Group's revenue from external customers by geographical locations, based on the location at which the properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	Revenue from external customers	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**36,594**	36,990

	Non-current assets	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**1,828,606**	1,866,290
The PRC	**–**	6,526
	1,828,606	1,872,816

Information about major customers

There were no customers individually contributing over 10% of the revenue for the years reported.

7. OTHER INCOME, NET

	2021 HK$'000	2020 HK$'000
Bank interest income	**2,259**	1,697
Fair value loss of derivative financial asset component of convertible notes	**–**	(89)
Fair value loss of financial assets at fair value through profit or loss (Note 20)	**(6,024)**	–
Compensation received from tenant	**–**	511
Exchange gain, net	**4,093**	8,517
Government grants	**53**	447
Sundry income	**52**	580
	433	11,663

8. LOSS FROM CONTINUING OPERATIONS

The Group's loss from continuing operations is arrived at after charging/(crediting):

	2021 HK$'000	2020 HK$'000
Directors' emoluments (Note 10)	**569**	2,031
Other staff costs:		
Salaries and allowances	**6,093**	8,310
Retirement benefit scheme contributions	**128**	134
Social security contributions	**488**	724
Other benefits in kind	**568**	78
Total staff costs	**7,846**	11,277
Bank interest income	**(2,259)**	(1,697)
Fair value loss of financial assets at fair value through profit or loss (Note 20)	**6,024**	–
Fair value loss of derivative financial asset component of convertible notes	**–**	89
Net loss in fair value of investment properties (Note 18)	**35,700**	58,600
Exchange gain, net	**(4,093)**	(8,517)
Auditors' remuneration		
– Audit services	**1,560**	3,390
– Non-audit services	**420**	610
Depreciation of property, plant and equipment (Note 16)	**786**	989
Depreciation of right-of-use assets (Note 17)	**1,197**	1,224
Impairment losses under expected credit loss model	**612**	–
Lease payments not included in the measurement of lease liabilities	**209**	533
Gross rental income from investment properties	**(36,594)**	(36,990)
Less: Direct operating expenses from investment properties that generated rental income during the year	**5,655**	4,186
	(30,939)	(32,804)

9. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2021 HK$'000	2020 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**18,775**	27,826
Interest on lease liabilities (Note 17)	**90**	152
Effective interest expense on convertible notes	**–**	1,327
	18,865	29,305

10. DIRECTORS' EMOLUMENTS

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

	2021 HK$'000	2020 HK$'000
Fees	**569**	925
Other emoluments:		
Basic salaries, allowances and other benefits	**–**	1,038
Discretionary bonus	**–**	15
Contributions to retirement benefit schemes	**–**	53
	–	1,106
	569	2,031

10. DIRECTORS' EMOLUMENTS (continued)

2021

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive Directors					
Mr. Chen Zhiwei (Note (a))	–	–	–	–	–
Mr. Ma Yilin (Note (b))	–	–	–	–	–
Ms. Ku Ka Lee (Note (c))	–	–	–	–	–
Mr. Tang Lunfei (Note (a))	–	–	–	–	–
Ms. Huang Limei (Note (d))	–	–	–	–	–
	–	–	–	–	–
Non-executive Directors					
Ms. Ku Ka Lee (Note (c))	–	–	–	–	–
Mr. Wang Xin (Note (h))	–	–	–	–	–
Dr. Huang Qiang (Note (i))	–	–	–	–	–
Mr. Wong Chi Keung, Kenjie (Note (j))	–	–	–	–	–
Ms. Yu Dan (Note (k))	–	–	–	–	–
	–	–	–	–	–
Independent non-executive Directors					
Mr. Liew Fui Kiang	180	–	–	–	180
Mr. Wong Sai Tat (Note (l))	29	–	–	–	29
Mr. Wong Wai Leung (Note (m))	66	–	–	–	66
Mr. Yip Tai Him (Note (n))	180	–	–	–	180
Mr. Liu Xin (Note (o))	114	–	–	–	114
	569	–	–	–	569
Total	569	–	–	–	569

10. DIRECTORS' EMOLUMENTS (continued)

2020

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive Directors					
Mr. Chen Zhiwei (Note (a))	–	–	–	–	–
Mr. Ma Yilin (Note (b))	–	–	–	–	–
Mr. Tang Lunfei (Note (a))	–	–	–	–	–
Ms. Huang Limei (Note (d))	–	–	–	–	–
Mr. Fan Xuerui (Note (e))	–	851	–	9	860
Mr. Pi Minjie (Note (f))	–	187	15	44	246
Mr. Sun Meng (Note (g))	–	–	–	–	–
Ms. Li Guang (Note (g))	–	–	–	–	–
	–	1,038	15	53	1,106
Non-executive Directors					
Mr. Wang Xin (Note (h))	–	–	–	–	–
Dr. Huang Qiang (Note (i))	–	–	–	–	–
	–	–	–	–	–
Independent non-executive Directors					
Mr. Liew Fui Kiang	256	–	–	–	256
Mr. Wong Sai Tat (Note (l))	256	–	–	–	256
Mr. Wong Wai Leung (Note (m))	124	–	–	–	124
Mr. Yip Tai Him (Note (n))	124	–	–	–	124
Mr. Hung Ka Hai Clement (Note (p))	165	–	–	–	165
	925	–	–	–	925
Total	925	1,038	15	53	2,031

10. DIRECTORS' EMOLUMENTS (continued)

Notes:

(a) Mr. Chen Zhiwei and Mr. Tang Lunfei were appointed as executive Directors on 13 May 2020.

(b) Mr. Ma Yilin was appointed as an executive Director on 13 May 2020 and resigned on 15 January 2021.

(c) Ms. Ku Ka Lee was appointed as a non-executive Director on 6 January 2021 and redesignated as an executive Director on 15 January 2021.

(d) Ms. Huang Limei was appointed as an executive Director on 13 May 2020 and resigned as an executive Director on 12 May 2021.

(e) Mr. Fan Xuerui was retired as an executive Director on 19 June 2020.

(f) Mr. Pi Minjie was retired as an executive Director on 13 May 2020.

(g) Mr. Sun Meng and Ms. Li Guang were resigned as executive Directors on 27 May 2020.

(h) Mr. Wang Xin was resigned as a non-executive Director on 6 January 2021.

(i) Dr. Huang Qiang was appointed as a non-executive Director on 13 May 2020.

(j) Mr. Wong Chi Keung, Kenjie was appointed as a non-executive Director on 26 February 2021.

(k) Ms. Yu Dan was appointed as a non-executive Director on 12 May 2021.

(l) Mr. Wong Sai Tat was resigned as an independent non-executive Director on 26 February 2021.

(m) Mr. Wong Wai Leung was appointed as an independent non-executive Director on 13 May 2020 and resigned as an independent non-executive Director on 12 May 2021.

(n) Mr. Yip Tai Him was appointed as an independent non-executive Director on 13 May 2020.

(o) Mr. Liu Xin was appointed as an independent non-executive Director on 12 May 2021.

(p) Mr. Hung Ka Hai Clement was resigned as an independent non-executive Director on 15 June 2020.

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the years ended 31 December 2021 and 2020 respectively.

No emoluments were paid or payable by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2021 and 2020.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended 31 December 2021 included no Director (2020: one Director), details of whose remuneration are set out in Note 10 to the consolidated financial statements above. Details of the remuneration for the year of the remaining highest paid employees who are neither a Director nor chief executive of the Company are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries, allowances and other benefits	**3,431**	2,739
Contributions to retirement benefit schemes	**87**	39
Social security contributions	**–**	59
Discretionary bonus	**135**	54
	3,653	2,891

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

	No. of individuals	
	2021	2020
HK$300,001 – HK$500,000	**1**	–
HK$500,001 – HK$1,000,000	**3**	4
HK$1,000,001 – HK$1,500,000	**1**	–
	5	4

No emoluments were paid or payable by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2021 and 2020. No five highest paid individuals waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

12. INCOME TAX EXPENSE

	2021	2020
	HK$'000	HK$'000
Current tax		
Hong Kong		
– Provision for the year	**2,619**	2,498
– Over-provision in prior years	**(66)**	–
	2,553	2,498
The PRC		
– Provision for the year	**1,289**	2,670
– Under-provision in prior years	**301**	–
	1,590	2,670
	4,143	5,168
Deferred taxation		
– Charged to the consolidated statement of profit or loss and other comprehensive income (Note 26)	**86**	813
	4,229	5,981

The provision for Hong Kong Profits Tax for the year ended 31 December 2021 is calculated at 16.5% of the estimated assessable profits for the year (2020: 16.5%). The concession of 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government was taken up by an indirect wholly-owned subsidiary incorporated in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2021 and 2020.

12. INCOME TAX EXPENSE (continued)

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

	2021		2020	
	HK$'000	%	HK$'000	%
Profit/(loss) before tax from continuing operations	**372,288**		(64,837)	
Loss before tax from a discontinued operation	**(121,776)**		(110,262)	
	250,512		(175,099)	
Tax at the Hong Kong profits tax rate of 16.5% (2020: 16.5%)	**41,334**	**16.5**	(28,892)	16.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	**24,630**	**9.8**	(6,498)	3.7
Tax effect of expenses not deductible for tax purpose	**8,504**	**3.4**	17,398	(9.9)
Tax effect of income not taxable for tax purpose	**(104,406)**	**(41.7)**	(60)	–
Under provision in respect of prior years	**235**	**0.1**	–	–
Statutory tax concession	**(165)**	**(0.1)**	(215)	0.1
Utilisation of tax losses previously not recognised	**–**	**–**	(294)	0.2
Tax losses and temporary differences not recognised	**34,097**	**13.6**	24,542	(14)
Tax charge at the Group's effective rate	**4,229**	**1.6**	5,981	(3.4)
Tax charge from continuing operations at the effective rate	**4,229**	**1.6**	5,981	(3.4)
Tax charge from a discontinued operation at the effective rate	**–**	**–**	–	–

13. DISCONTINUED OPERATION

On 10 August 2021, Zhoushan Mingyi as the vendor and Pujiang Jiaze Enterprise Management Co., Limited* (浦江嘉澤企業管理有限公司) ("**Pujiang Jiaze**"), as the successful bidder and purchaser entered into the equity transfer agreement for the sale and purchase of the entire equity interests of Shanghai Yuexin Group, together with certain assets held and liabilities owned by Shanghai Yuexin Group at a consideration of RMB1,000,000 (equivalent to approximately HK$1,205,000) (the "**Yuexin Equity Transfer Agreement**"). On the same day, Zhoushan Mingyi, Pujiang Jiaze, Shanghai Yuexin and Zhenjiang Tiangong entered in the supplemental agreements supplementing the terms of the Yuexin Equity Transfer Agreement setting out the details of, among others, the right to legal recourse on the part of Zhoushan Mingyi as regards certain loans and other amounts due from Shanghai Yuexin Group to the Group (the "**Yuexin Supplemental Agreements**").

13. DISCONTINUED OPERATION (continued)

Shanghai Yuexin was an investment holding company. Zhenjiang Tiangong, the subsidiary of Shanghai Yuexin, primarily engages in property development. The Group has decided to cease its property development business because it plans to divest the debts and liabilities owned by Shanghai Yuexin Group and to realise the investment in the project. The disposal of Shanghai Yuexin Group was completed on 26 September 2021. With the disposal of Shanghai Yuexin Group, the property development business was classified as discontinued operation and was no longer included in the note for operating segment information.

The results of Shanghai Yuexin Group for the periods are presented below:

	From 1 January 2021 to 26 September 2021 HK$'000	Year ended 31 December 2020 HK$'000
Revenue	**–**	–
Other income, net	**510**	219
Staff costs	**(1,657)**	(2,624)
Depreciation of property, plant and equipment (Note 16)	**(15)**	(17)
Depreciation of right-of-use assets (Note 17)	**(354)**	(448)
Write-down of properties under development to net realisable value	**(36,751)**	–
Impairment losses under expected credit loss model	**(5,275)**	(7,627)
Other operating expenses	**(3,700)**	(9,042)
Finance costs	**(74,534)**	(90,723)
Loss before tax from the discontinued operation	**(121,776)**	(110,262)
Income tax expense	**–**	–
Loss for the periods from the discontinued operation	**(121,776)**	(110,262)

The net cash flows incurred by Shanghai Yuexin Group are as follows:

	2021 HK$'000	2020 HK$'000
Operating activities	**74,503**	(11,592)
Investing activities	**509**	179
Financing activities	**(535)**	23,427
Net cash inflow	**74,477**	12,014

	2021	2020
Loss per share:		
Basic and diluted from the discontinued operation (in HK cents)	**(10.83)**	(9.81)

13. DISCONTINUED OPERATION (continued)

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	2021	2020
	HK$'000	HK$'000
Loss attributable to ordinary equity holders of the Company from the discontinued operation	**(121,776)**	(110,262)

	Number of shares	
	2021	2020
	'000	'000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation (Note 15)	**1,125,027**	1,125,027

14. DIVIDEND

The Directors do not recommend any dividend for the year ended 31 December 2021 (2020: Nil).

15. EARNINGS/(LOSS) PER SHARE

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

	2021	2020
	HK$'000	HK$'000
Earnings/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation:		
From continuing operations	**368,059**	(70,818)
From a discontinued operation	**(121,776)**	(110,262)
	246,283	(181,080)

	Number of shares	
	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**1,125,027**	1,125,027

For the years ended 31 December 2021 and 2020, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture fixtures and equipment HK$'000	Total HK$'000
COST			
At 1 January 2020	4,763	569	5,332
Additions	–	21	21
Disposals	–	(51)	(51)
Exchange realignment	–	4	4
At 31 December 2020 and 1 January 2021	4,763	543	5,306
Disposal of subsidiaries	–	(74)	(74)
At 31 December 2021	4,763	469	5,232
ACCUMULATED DEPRECIATION			
At 1 January 2020	2,853	332	3,185
Provided for the year			
– From continuing operations (Note 8)	918	71	989
– From a discontinued operation (Note 13)	–	17	17
Disposals	–	(14)	(14)
Exchange realignment	–	2	2
At 31 December 2020 and 1 January 2021	3,771	408	4,179
Provided for the year			
– From continuing operations (Note 8)	724	62	786
– From a discontinued operation (Note 13)	–	15	15
Disposal of subsidiaries	–	(56)	(56)
At 31 December 2021	4,495	429	4,924
NET CARRYING VALUES			
At 31 December 2021	**268**	**40**	**308**
At 31 December 2020	992	135	1,127

17. LEASES

The Group as lessee

The Group has lease contracts for various items of buildings used in its operations. Leases of buildings generally have lease terms between 2 to 4 years.

(a) *Right-of-use assets*

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings HK$'000
COST:	
At 1 January 2020	5,611
Exchange realignment	85
At 31 December 2020 and 1 January 2021	5,696
Disposal of subsidiaries	(1,436)
Exchange realignment	15
At 31 December 2021	4,275
ACCUMULATED DEPRECIATION:	
At 1 January 2020	1,227
Provided for the year	
– From continuing operations (Note 8)	1,224
– From a discontinued operation (Note 13)	448
Exchange realignment	49
At 31 December 2020 and 1 January 2021	2,948
Provided for the year	
– From continuing operations (Note 8)	1,197
– From a discontinued operation (Note 13)	354
Disposal of subsidiaries	(1,232)
Exchange realignment	10
At 31 December 2021	3,277
NET CARRYING AMOUNT:	
At 31 December 2021	**998**
At 31 December 2020	2,748

17. LEASES (continued)

The Group as lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**2,873**	4,530
Interest on lease liabilities		
– From continuing operations (Note 9)	**90**	152
– From a discontinued operation	**10**	33
Lease payments	**(1,884)**	(1,877)
Exchange realignment	**5**	35
At 31 December	**1,094**	2,873
Analysed as:		
– Current	**1,094**	1,747
– Non-current	**–**	1,126
	1,094	2,873

The maturity analysis of lease liabilities is disclosed in Note 39 to the consolidated financial statements.

(c) The amounts recognised in the consolidated profit or loss and other comprehensive income in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities (Note 9)	**90**	152
Depreciation of right-of-use assets (Note 8)	**1,197**	1,224
Expense relating to short-term leases and leases of low-value assets (included in other operating expenses) (Note 8)	**209**	533
Total amount recognised in the consolidated statement of profit or loss and other comprehensive income	**1,496**	1,909

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Notes 33(a) and 39 to the consolidated financial statements respectively.

17. LEASES (continued)

The Group as lessor

The Group leases its investment properties (Note 18 to the consolidated financial statements) consisting of commercial properties in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

Rental income recognised by the Group for the year ended 31 December 2021 was HK$36,594,000 (2020: HK$36,990,000), details of which are included in Note 5 to the consolidated financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**24,184**	24,091
In the second to fifth years inclusive	**14,489**	11,759
	38,673	35,850

18. INVESTMENT PROPERTIES

	Completed Investment properties, in Hong Kong HK$'000
FAIR VALUE:	
At 1 January 2020	1,921,600
Loss in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	(58,600)
At 31 December 2020 and 1 January 2021	1,863,000
Loss in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	(35,700)
At 31 December 2021	**1,827,300**

The Group's investment properties consist of commercial properties in Hong Kong. The Directors have determined that the investment properties consist of two classes of asset, i.e., residential and commercial, based on the nature, characteristics and risks of each property. The investment properties are leased to third parties under operating leases, further summary details of which are included in Note 17 to the consolidated financial statements.

18. INVESTMENT PROPERTIES (continued)

(a) The analysis of the carrying amount of investment properties is as follows:

	2021 HK$'000	2020 HK$'000
In Hong Kong		
– long-term leases	**1,827,300**	1,863,000

(b) Pledge of investment properties

Details of pledge of investment properties are set out in Note 35 to the consolidated financial statements.

(c) Fair value measurement of the Group's investment properties

Each year, the management of the Group decide to appoint which independent valuer to be responsible for the valuation of the Group's investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The fair value of the Group's investment properties as at 31 December 2021 has been arrived at on the basis of a valuation carried out on the respective dates by Knight Frank Petty Limited (2020: Knight Frank Petty Limited), independent qualified professional valuers not connected to the Group.

The responsible valuers of Knight Frank Petty Limited are members of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on (i) the sales comparison approach, which involves an analysis of sales transactions of comparable properties within the neighbourhood area of the properties; and (ii) the income capitalisation approach, which involves estimating the rental incomes of the properties and capitalising them all on an appropriate rate to produce a capital value.

As at 31 December 2021 and 2020, the fair value of the investment properties were generally determined based on income capitalisation approach and by making reference to comparable rent and sales transactions of similar properties in the similar locations and conditions as available in the market to assess the market value of the investment properties.

At each financial year end, the management of the Group will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) hold discussion with the independent valuer.

Changes in level 2 and 3 fair values are analysed at each reporting date by the management of the Group.

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

18. INVESTMENT PROPERTIES (continued)

(c) Fair value measurement of the Group's 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:

	Level 3 HK$'000	**Fair values 2021 HK$'000**
Residential units located in Hong Kong	**13,300**	**13,300**
Commercial units located in Hong Kong	**1,814,000**	**1,814,000**
Total	**1,827,300**	**1,827,300**

	Level 3 HK$'000	Fair values 2020 HK$'000
Residential units located in Hong Kong	14,000	14,000
Commercial units located in Hong Kong	1,849,000	1,849,000
Total	1,863,000	1,863,000

During the year, there were no transfers into or out of Level 3 (2020: Nil).

18. INVESTMENT PROPERTIES (continued)

(c) Fair value measurement of the Group's investment properties (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Fair value 2021 HK$'000	Fair value 2020 HK$'000	Valuation technique	Significant unobservable inputs	Sensitivity
Investment properties located in Hong Kong	**1,827,300**	1,863,000	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental, income potential, nature of property, and prevailing market condition, of 1.7% to 3.6% (2020: 2.1% to 3.4% per annum).	The higher the capitalisation rate, the lower the fair value.
				Monthly market rent, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in the market rent used result in significant increase in fair value, and vice versa.

The fair value of completed investment properties is determined by the income capitalisation method by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

Reversionary yield is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. Market rent per square foot is the market rent taking into account the direct comparable market transactions to the related properties.

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

18. INVESTMENT PROPERTIES (continued)

(c) Fair value measurement of the Group's investment properties (continued)

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

	Residential properties in Hong Kong HK$'000	Commercial properties in Hong Kong HK$'000	Total HK$'000
Carrying amount at 1 January 2020	14,600	1,907,000	1,921,600
Fair value changes	(600)	(58,000)	(58,600)
Carrying amount at 31 December 2020 and 1 January 2021	14,000	1,849,000	1,863,000
Fair value changes	(700)	(35,000)	(35,700)
Carrying amount at 31 December 2021	**13,300**	**1,814,000**	**1,827,300**

19. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	2021 **HK$'000**	2020 HK$'000
Share of net assets	**–**	–
Goodwill on acquisition	**–**	–
	–	–
Amount due from an associate	**59,332**	57,637
Allowance of credit losses	**(59,332)**	(57,637)
	–	–

Particulars of the Group's associate as at 31 December 2021 is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Yitai International (BVI) Holdings Limited ("**Yitai**")	Ordinary shares	The British Virgin Islands	49%	Investment holding

19. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (continued)

On 4 February 2019, Agile Scene, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sanshenghonhye (BVI) Holdings Limited ("**Sansheng BVI**"), pursuant to which Agile Scene agreed to purchase and Sansheng BVI agreed to sell 49% equity interest in Yitai at a cash consideration of approximately RMB255,600,000 (equivalent to approximately HK$299,000,000). Yitai is an investment holding company and indirectly holds 99% beneficial equity interest in 金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Ltd.*), which is engaged in property development in Jinhua City, Zhejiang Province, the PRC. The acquisition was completed on 2 April 2019.

Yitai is considered as a material associate of the Group and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Yitai adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021 **HK$'000**	2020 HK$'000
Current assets	**734,575**	1,523,003
Non-current assets, excluding goodwill	**123,251**	119,252
Goodwill on acquisition of the associate	**–**	–
Current liabilities	**(1,347,338)**	(1,866,683)
Net liabilities	**(489,512)**	(224,428)
Net liabilities, excluding goodwill	**(489,512)**	(224,428)
Equity attributable to owners of the associate	**(484,617)**	(222,184)
Non-controlling interests	**(4,895)**	(2,244)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net liabilities of the associate, excluding goodwill	**–**	–
Goodwill on acquisition	**–**	–
Carrying amount of the investment	**–**	–

	2021 **HK$'000**	2020 HK$'000
Revenue	**1,180,600**	962,821
Loss for the year	**(254,630)**	(134,746)
Other comprehensive loss	**(10,454)**	(12,585)
Total comprehensive loss for the year	**(265,084)**	(147,331)

19. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (continued)

The Group has discontinued the recognition of its share of losses of an associate because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were HK$128,593,000 (2020: HK$71,470,000) and HK$237,463,000 (2020: HK$108,870,000), respectively.

At 31 December 2021 and 2020, amount due from an associate was approximately HK$59,332,000 and HK$57,637,000, respectively. The Directors considered that the recoverability of the receivables due from Yitai was remote and the expected credit loss at 31 December 2021 and 2020 were HK$59,332,000 and HK$57,637,000, respectively.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Unlisted equity investments (Note)	–	5,941

Note:

During the year ended 31 December 2019, Zhoushan Mingtai, an indirect wholly-owned subsidiary of the Group, entered into a limited partnership agreement to subscribe, as a limited partner. The investment entity is principally engaged in investment management and equity investments, Zhoushan Mingtai is a limited partner of the investment entity and does not have control nor significant influence in the operational and financing decisions of the investment entity.

As at 31 December 2021, the fair value of financial assets at fair value through profit or loss was nil (2020: RMB5,000,000 (equivalent to approximately HK$5,941,000)). Fair value loss of financial assets at fair value through profit or loss of RMB5,000,000 (equivalent to approximately HK$6,024,000) was recognised in the consolidated statement of profit or loss and other comprehensive income (2020: nil).

21. PROPERTIES FOR SALE

	2021 HK$'000	2020 HK$'000
Properties under development (Note (a))	–	602,919
Completed properties (Note (b))	–	25,453
	–	628,372

Notes:

(a) At 31 December 2020, properties under development with an aggregate carrying amount of approximately HK$602,919,000 were pledged to a financial institution in the PRC as collateral of the Group's other borrowings.

(b) At 31 December 2020, certain completed properties within an aggregate carrying amount of approximately HK$22,468,000 were pledged to a financial institution in the PRC as collateral for the borrowings from independent third parties.

(c) The disposal of Shanghai Yuexin Group was completed on 26 September 2021. All of the Group's properties for sale were disposed together with disposal of Shanghai Yuexin Group. As a result, the Group did not have any properties for sale at 31 December 2021.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Rental receivables (Note (i))	**298**	4,547
Property project management service receivables (Note (ii))	**–**	594
	298	5,141
Less: Allowance for credit losses (Note (iii))	**–**	(1)
	298	5,140
Security deposits for financing arrangements (Note (iv))	**–**	825
Other receivables, deposits and prepayments, net of allowance for credit losses (Note (v))	**4,604**	37,850
	4,902	43,815

(i) The amount represents rental receivables for leasing of investment properties.

The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these rental receivables.

The ageing analysis of the Group's rental receivables is as follows:

	2021 HK$'000	2020 HK$'000
0 to 30 days	**94**	1,319
31 to 60 days	**84**	1,402
61 to 90 days	**84**	95
91 to 180 days	**–**	1,683
181 to 365 days	**11**	48
More than 365 days	**25**	–
	298	4,547

Rental receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(ii) The project management fee shall be payable within 12 days from end of each quarter. The ageing analysis of the Group's property project management service receivables net of allowance of credit losses presented based on the invoice dates, is as follows:

	2021 HK$'000	2020 HK$'000
More than 365 days	–	593

(iii) The movements in the allowance for credit losses of trade receivables are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	1	1
Impairment losses, net (Note 8)	612	–
Amount written off as uncollectible	(613)	–
At 31 December	–	1

(iv) As at 31 December 2020, the amounts are deposited in a financial institution for securing the other borrowings of the Group. With the disposal of subsidiaries, the amount was nil as at 31 December 2021.

(v) The amount represents other receivables, deposits and prepayments:

	2021 HK$'000	2020 HK$'000
Prepayments	643	938
Deposits and other receivables	310,043	308,872
Prepaid tax	13	23,825
	310,699	333,635
Less: Allowance for credit losses	(306,095)	(295,785)
	4,604	37,850

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(v) (continued)

The movements in the allowance for credit losses of other receivables, deposits and prepayments are as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 January	**295,785**	270,335
Impairment losses, net	**228,752**	7,627
Decrease on disposal of subsidiaries	**(224,830)**	–
Exchange realignment	**6,388**	17,823
At 31 December	**306,095**	295,785

23. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and bank balances and short term time deposits. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flow can be reconciled to the related items in the consolidated statement of financial position as follows:

	2021 **HK$'000**	2020 HK$'000
Cash and bank balances	**36,548**	356,144
Short term time deposits	**100,027**	–
Cash and cash equivalents	**136,575**	356,144

Cash and bank balances comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.001% to 1.725% (2020: 0.001% to 1.2%) per annum and have original maturity of three months or less. Short term time deposits are made for period of one month and earn interest at the respective short term time deposit rates. The bank balances and short term time deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2021, the cash and bank balances of the Group included currencies denominated in Renminbi ("**RMB**") amounted to approximately HK$19,390,000 (2020: approximately HK$248,749,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. TRADE AND OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	2021 HK$'000	2020 HK$'000
Trade payables (Note (a))	**–**	118,895
Rental deposits received	**10,966**	11,096
Contract liabilities (Note (b))	**–**	148,892
Other payables and accrued expenses (Note (c))	**6,722**	167,327
	17,688	446,210
Advance rental received	**713**	607
	18,401	446,817
Less: Non-current portion of other payables and deposits	**(5,975)**	(6,010)
	12,426	440,807

Notes:

(a) Ageing analysis of trade payables presented based on the invoice dates, is as follows:

	2021 HK$'000	2020 HK$'000
0 to 30 days	**–**	68,244
31 to 90 days	**–**	1,733
91 to 180 days	**–**	3,474
181 to 365 days	**–**	13,500
More than 365 days	**–**	31,944
	–	118,895

Trade payables arise from property development segment. On 26 September 2021, Shanghai Yuexin and Zhenjiang Tiangong, the subsidiaries of the Group, which engage in property development were disposed and the Group ceased its property development business. As a result, the trade payables were nil at 31 December 2021 (2020: approximately HK$118,895,000).

(b) Contract liabilities represent proceeds received from pre-sale of properties at the end of the reporting period.

With the disposal of subsidiaries mentioned in (a) above, the contract liabilities were nil at 31 December 2021 (2020: approximately HK$148,892,000).

(c) As at 31 December 2020, the amount included interest payable to Shanghai Aijian Trust Co., Limited ("**Shanghai Aijian**") with an amount of approximately HK$96,190,000. With the disposal of Shanghai Yuexin and Zhenjiang Tiangong, the interest payable to Shanghai Aijian were nil as at 31 December 2021.

As at 31 December 2021, the amount included bank loan interest payable of approximately HK$294,000 (2020: HK$455,000) and amounts due to former shareholder of approximately HK$274,000 (2020: HK$1,129,000).

25. BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate	**Maturity**	**HK$'000**	Effective interest rate	Maturity	HK$'000
Current						
Bank loans – secured	**HIBOR plus 1.25%-2%**	**On demand**	**857,797**	HIBOR plus 1.25%-2%	On demand	997,121
Other borrowings-secured	**–**	**–**	**–**	8%-23%	On demand	607,721
			857,797			1,604,842

The carrying amount of the above bank and other borrowings are repayable as follows:

	2021 HK$'000	2020 HK$'000
On demand or within one year	**857,797**	1,604,842
Less: Amounts due within one year shown under current liabilities	**(857,797)**	(1,604,842)
Amounts shown under non-current liabilities	**–**	–

The bank and other borrowings are secured by the Group's assets which were set out in Note 35 to the consolidated financial statements.

Details of corporate guarantees of the Group were set out in Note 42 to the consolidated financial statements.

26. DEFERRED TAX

	2021 **HK$'000**	2020 HK$'000
Deferred tax liabilities	**11,925**	11,839

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year were as follows:

	Deferred tax liabilities		
	Depreciation allowances in excess of the related depreciation HK$'000	**Convertible notes HK$'000**	**Total HK$'000**
At 1 January 2020	10,836	190	11,026
Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income (Note 12)	1,003	(190)	813
At 31 December 2020 and 1 January 2021	11,839	–	11,839
Charged to the consolidated statement of profit or loss and other comprehensive income (Note 12)	86	–	86
At 31 December 2021	**11,925**	**–**	**11,925**

At the end of the reporting period, the Group has unused tax losses of approximately HK$66,937,000 (2020: approximately HK$64,963,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. As at 31 December 2020, included in unrecognised tax losses are losses of approximately HK$35,676,000 that will expire in 2026. Other losses may be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2021, no deferred tax has been recognised for withholding taxes as the Group's subsidiaries established in Mainland China is in cumulative loss position (2020: Nil).

27. SHARE CAPITAL

	Number of shares		Amount	
	2021	2020	**2021**	2020
	Number	Number		
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary of shares of HK$0.10 each				
At 1 January and 31 December	**2,000,000**	2,000,000	**200,000**	200,000
Issued and fully paid:				
At 1 January and 31 December	**1,125,027**	1,125,027	**112,502**	112,502

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 74 of this annual report.

Special reserve

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the Group reorganisation in April 2000.

Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 3 to the consolidated financial statements.

Convertible notes equity reserve

The convertible notes equity reserve represents the equity component (conversion rights) of convertible notes issued by the Company. The convertible notes equity reserve has been reclassified to other reserve, since the convertible notes were not converted.

Contribution from shareholders

The contributions from shareholders represent the aggregation of discount on acquisitions of an indirect wholly-owned subsidiary, Uptodate with the amount of approximately HK$233,606,000 from the former controlling shareholder – Mr. Ng Chun For, Henry.

29. CAPITAL COMMITMENTS

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

	2021 **HK$'000**	2020 HK$'000
Contracted, but not provided for:		
Construction and land development expenditure in respect of properties under development classified as held for sale	**–**	383,234
Capital contribution to a limited partnership (Note 20)	**45,866**	44,556
	45,866	427,790

30. SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the annual general meeting ("**AGM**") held on 3 September 2013 (the "**Share Option Scheme**"). The Share Option Scheme was adopted on 3 September 2013 (the "**Adoption Date**") and the life of the Share Option Scheme is for a period of ten years commencing from the Adoption Date.

The primary purpose of the Share Option Scheme is to provide incentives to participants (as defined including but not limited to (a) any employees; (b) any supplier of goods or services to any member of the Group; (c) any customer of the Group; and (d) any director or independent non-executive director and/or shareholder of the Company and/or any member of the Group) who has contribution to the Group and to enable the Group to recruit and retain high caliber employees.

At the time of adoption by the Company of the Share Option Scheme, the aggregate number of shares which may be issued upon the exercise of all options to be granted by the Company under the Share Option Scheme and any other share option scheme(s) adopted by the Company must not exceed 10% of the total number of issued shares of the Company as at the date of shareholders' approval of the Share Option Scheme. The Company may refresh such limit by an ordinary resolution of its shareholders at a general meeting provided that the limit so refreshed does not exceed 10% of the then total number of issued shares of the Company as at the date(s) of the shareholders' approvals. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued shares of the Company from time to time.

Unless approved by the shareholders of the Company in general meeting, the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted (whether exercised, cancelled or outstanding) under the Share Option Scheme and any other share option scheme(s) of the Company to any eligible person in any 12-month period up to and including the date of further grant shall not exceed 1% of the total number of the Company's shares in issue from time to time.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the AGM held on 24 August 2018. The total number of issued shares of the Company as at 24 August 2018 was 1,125,027,072 and thus the maximum number of shares allowed to be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 112,502,707 shares which represented 10% of the total number of issued shares as at 24 August 2018. As at the date of this annual report, the maximum number of shares allowed to be issued under the Share Option Scheme and any other share option scheme of the Company shall not exceed 112,502,707 shares, represented 10% of the total number of issued shares.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the Board may think fit. An option may be exercised at any time, during a period determined and notified by the Board by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the Board and will be at least the highest of the following:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

At the beginning of the financial year on 1 January 2021 and 2020, there was no outstanding share option. There is no movement in the share options granted to the directors, employees of the Company and other eligible participants under the Share Option Scheme during the years ended 31 December 2021 and 2020. As at 31 December 2021, there was no outstanding share option under the Share Option Scheme.

31. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("**MPF**") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes HK$1,500 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government (the "**PRC Retirement Benefit Scheme**"). The Company's subsidiaries operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The Group's contribution to aforementioned retirement benefits schemes for the year ended 31 December 2021 amounted to in aggregate of approximately HK$1,025,000 (2020: approximately HK$1,136,000).

During the year ended 31 December 2021, there was no forfeited contribution under the MPF or the PRC Retirement Benefit Scheme which may be used by the Group to reduce current or future levels of contributions (2020: Nil). Accordingly, there was no forfeited contribution utilised for the year ended 31 December 2021 (2020: Nil).

32. DISPOSAL OF SUBSIDIARIES

2021

On 10 August 2021, the Yuexin Equity Transfer Agreement and the Yuexin Supplemental Agreements were entered into for the disposal of Shanghai Yuexin Group, which was completed on 26 September 2021.

	As at 26 September 2021 HK$'000
Net liabilities disposed of:	
Property, plant and equipment	18
Right-of-use assets	204
Properties for sale	691,120
Other receivables, deposits and prepayments	42,919
Tax recoverable	6,539
Cash and cash equivalents	100,787
Trade and other payables, deposits and accrued expenses	(914,093)
Other borrowings	(565,747)
	(638,253)
Write-off of certain other payables due to the Group	223,477
	(414,776)
Gain on disposal of subsidiaries	414,955
Exchange realignment	1,026
	1,205
Satisfied by:	
Cash	1,205

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021 HK$'000
Cash consideration	1,205
Cash and cash equivalents disposed of	(100,787)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(99,582)

32. DISPOSAL OF SUBSIDIARIES (continued)

2020

On 7 April 2020, the Group and Dongtou Property Group Co., Limited* (東投地產集團有限公司) ("**Dongtou Property**") entered into a conditional sale and purchase agreement (the "**Agreement**"), pursuant to which the Group conditionally agreed to sell and Dongtou Property conditionally agreed to purchase the sale interest, representing the 100% equity interest in Hangzhou Minglun Industrial Co., Ltd* (杭州銘倫實業有限公司) ("**Hangzhou Minglun**") and all rights and obligations attached to such equity interest (including but not limited to the right to receive repayment of the entire shareholder's loan of RMB23,861,000 owed by Hangzhou Minglun to the Group), at the consideration of RMB177,270,000 (equivalent to approximately HK$193,200,000).

On 30 June 2020, the Agreement was terminated and the Group and Dongtou Property still intend to cooperate and proceed with the transactions relating to Hangzhou Minglun, they, together with Dongwang Project Management Co., Ltd* (江西東望項目管理有限公司) ("**Dongwang Project Management**"), entered into the conditional sale and purchase agreement (the "**New Disposal Agreement**") on 30 June 2020.

Pursuant to the New Disposal Agreement, the Group conditionally agreed to sell and Dongwang Project Management conditionally agreed to purchase the sale interest, which represents the 100% equity interest in Hangzhou Minglun and all rights and obligations attached to such equity interest (including but not limited to the obligation to repay the entire shareholder's loan of RMB23,861,000 owed by Hangzhou Minglun to the Group) at the consideration of RMB180,248,710 (equivalent to approximately HK$201,894,000).

	2020 HK$'000
Net assets disposed of:	
Properties for sale	401,002
Cash and cash equivalents	829
Other payables	(208,336)
	193,495
Gain on disposal of a subsidiary	8,431
Exchange realignment	(32)
	201,894
Satisfied by:	
Cash	201,894

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020 HK$'000
Cash consideration	201,894
Cash and cash equivalents disposed of	(829)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	201,065

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in the Group's liabilities arising from financing activities:

2021

	Lease liabilities HK$'000 (Note 17)	Bank and other borrowings HK$'000 (Note 25)	Amount due to former related companies HK$'000 (Note 24)	Total HK$'000
At 1 January 2021	2,873	1,604,842	1,129	1,608,844
Changes from financing cash flows:				
Repayment of bank and other borrowings	–	(191,910)	–	(191,910)
Payment of lease liabilities	(1,784)	–	–	(1,784)
Total changes from financing cash flows	(1,784)	(191,910)	–	(193,694)
Other changes:				
Interest expense	100	93,299	–	93,399
Interest paid classified as operating cash flows	(100)	(18,481)	–	(18,581)
Transfer to other payables	–	(74,818)	–	(74,818)
Disposal of subsidiaries	–	(565,747)	(855)	(566,602)
Exchange realignment	5	10,612	–	10,617
Total other changes	5	(555,135)	(855)	(555,985)
At 31 December 2021	**1,094**	**857,797**	**274**	**859,165**

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

(a) Changes in the Group's liabilities arising from financing activities: (Continued)

2020

	Lease liabilities HK$'000 (Note 17)	Bank and other borrowings HK$'000 (Note 25)	Convertible notes HK$'000	Amount due to former related companies HK$'000 (Note 24)	Total HK$'000
At 1 January 2020	4,530	1,590,940	9,845	1,065	1,606,380
Changes from financing cash flows:					
New bank and other borrowings raised	–	23,443	–	–	23,443
Repayment of bank and other borrowings	–	(41,910)	–	–	(41,910)
Payment of lease liabilities	(1,877)	–	–	–	(1,877)
Repayment of convertible note	–	–	(11,000)	–	(11,000)
Total changes from financing cash flows	(1,877)	(18,467)	(11,000)	–	(31,344)
Other changes:					
Interest expense	185	126,591	1,327	–	128,103
Interest paid classified as operating cash flows	–	(34,710)	–	–	(34,710)
Transfer to other payables	–	(91,881)	(172)	–	(92,053)
Exchange realignment	35	32,369	–	64	32,468
Total other changes	220	32,369	1,155	64	33,808
At 31 December 2020	2,873	1,604,842	–	1,129	1,608,844

(b) Total cash outflow for leases

	2021 HK$'000	2020 HK$'000
Within operating activities	**309**	533
Within financing activities	**1,784**	1,877
	2,093	2,410

34. MATERIAL RELATED PARTY TRANSACTIONS

As at 31 December 2020, the Group had an outstanding balance due to China Cinda (HK) of HK$50,000,000. This balance is guaranteed and pledged with annual interest rate of 8%. The balance has no fixed terms of repayment. The Group had repaid the entire amounts to China Cinda (HK) during the year ended 31 December 2021.

Other than the above balances with related parties and those disclosed elsewhere in the annual report, as at 31 December 2021 and 2020, the Group had no material outstanding balances with related parties.

35. PLEDGE OF ASSETS

As at 31 December 2021, the Group has pledged the following assets:

(1) Investment properties in Hong Kong with an aggregate carrying amount of HK$1,827,300,000 for securing the Group's bank borrowings;

(2) Share mortgage of certain subsidiaries for securing their respective bank borrowings;

(3) Rent assignments in respect of the investment properties held by the Group;

As at 31 December 2020, the Group has pledged the following assets:

(1) Investment properties in Hong Kong with an aggregate carrying amount of HK$1,863,000,000 for securing the Group's bank and certain other borrowings;

(2) Share mortgage of certain subsidiaries for securing their respective bank borrowings;

(3) Rent assignments in respect of the investment properties held by the Group;

(4) Properties under development with an aggregate carrying amount of approximately HK$602,919,000 and the entire equity interest in a subsidiary for securing other borrowings amounted to RMB469,400,000 (equivalent to approximately HK$557,721,000) from Shanghai Aijian;

(5) Properties for sale – completed properties with an aggregate carrying amount of approximately HK$22,468,000 pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties; and

(6) Entire equity interests in certain subsidiaries for securing the Company's other borrowing which amounted to HK$50,000,000 from a financial institution, China Cinda (HK).

36. CONTINGENT LIABILITIES

At the end of each of the reporting period, contingent liabilities not provided for the consolidated financial statements were as follows:

	2021 **HK$'000**	2020 HK$'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties - amounts drawn by the purchasers	**–**	24,634

The disposal of Shanghai Yuexin Group was completed on 26 September 2021. Subsequent to the completion of disposal, the Group did not have any guarantee given to banks in connection with facilities granted to the purchasers of the Group's properties amounts drawn by the purchasers.

37. EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events after 31 December 2021 and up to the date of approval of these consolidated financial statements.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts (which includes bank and other borrowings), cash and cash equivalents and equity attributable to equity holders of the Company.

The Group's risk management actively and regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio, expressed as total liabilities over total assets, at the end of the reporting period was as follows:

	2021 **HK$'000**	2020 HK$'000
Total assets	**1,970,120**	2,904,332
Total liabilities	**891,728**	2,069,585
Gearing ratio	**45.3%**	71.3%

39. FINANCIAL RISK MANAGEMENT

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

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

(i) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and other receivables and deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group applies with simplified approach to provide for ECLs presented by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and ECL.

Rental receivables

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

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

As at 31 December 2021 and 2020, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Further quantitative disclosure of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 22 to the consolidated financial statements.

39. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Property project management service receivables

The Directors have made periodic collective assessments as well as individual assessment on the recoverability of the receivables based on historical settlement records, past experience and available forward-looking information.

Other receivables, deposits and prepayments

In relation to other receivables and deposit paid for acquisition of a subsidiary, the Group has assessed that the expected credit losses for these receivables under the lifetime expected losses method. The loss allowance for impairment of other receivables, deposits and prepayments was approximately HK$306,095,000 (2020: approximately HK$295,785,000). The Group performs impairment assessment on the balances on a periodic basis. In determining the ECL of other receivables and deposit paid for acquisition of a subsidiary, the Group has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort.

Amount due from an associate

In relation to amount due from an associate, the Group estimates the ECL under HKFRS 9 ECL models. In assessing whether the credit risk of amount due from an associate has increased significantly since initial recognition, the Group consider that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The loss allowance for impairment of amount due from an associate was approximately HK$59,332,000 (2020: approximately HK$57,637,000). 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.

Cash and cash equivalents

Credit risk on bank balances is limited because the amounts are placed in reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12-month ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on bank balances is considered to be insignificant.

Other than concentration of credit risk on liquid fund which are deposited with several banks with high credit ratings and save as disclose elsewhere in the consolidated financial statements, the Group does not have any other significant concentration of credit risk.

39. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
At 31 December 2021					
Trade receivables	–	–	–	298	298
Financial assets included in other receivables, deposits, and prepayments					
– Normal*	3,948	–	–	–	3,948
– Doubtful*	–	–	306,095	–	306,095
Cash and cash equivalents	136,575	–	–	–	136,575
Amount due from an associate	–	–	59,332	–	59,332
	140,523	–	365,427	298	506,248

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
At 31 December 2020					
Trade receivables	–	–	–	5,141	5,141
Security deposits for financing arrangements	825	–	–	–	825
Financial assets included in other receivables, deposits, and prepayments					
– Normal*	7,349	–	–	–	7,349
– Doubtful*	–	–	301,523	–	301,523
Cash and cash equivalents	356,144	–	–	–	356,144
Amount due from an associate	–	–	57,637	–	57,637
	364,318	–	359,160	5,141	728,619

* The credit quality of the financial assets included in prepayments is considered to be "normal" when there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

39. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

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

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
Non-derivative financial liabilities				
2021				
Bank and other borrowings	**857,797**	**878,039**	**878,039**	**–**
Trade and other payables, deposits and accrued expenses	**17,393**	**17,393**	**11,419**	**5,974**
Lease liabilities	**1,094**	**1,120**	**1,120**	**–**
	876,284	**896,552**	**890,578**	**5,974**
2020				
Bank and other borrowings	1,604,842	1,723,424	1,723,424	–
Trade and other payables, deposits and accrued expenses	173,111	173,111	167,101	6,010
Lease liabilities	2,873	2,999	1,879	1,120
	1,780,826	1,899,534	1,892,404	7,130

39. FINANCIAL RISK MANAGEMENT (continued)

(iii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period:

	2021		2020	
	Effective Interest rate	**HK$'000**	Effective Interest rate	HK$'000
Net variable rate borrowings				
Bank borrowings	**(Note)**	**857,797**	(Note)	997,121
Bank balances (include time deposits)	**0.001% to 1.725%**	**(136,575)**	0.001% to 1.2%	(356,144)
		721,222		640,977

Note:
Details of the Group's bank borrowings are set out in Note 25 to the consolidated financial statements.

At 31 December 2021, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation by approximately HK$7,212,000 (2020: increase/decrease the Group's loss after taxation by approximately HK$6,410,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 31 December 2020.

(iv) Currency risk

The Group have foreign currency denominated monetary assets and liabilities, which exposed the Group to foreign currency risk. The Group currently does not have a foreign exchange policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the risk arise.

39. FINANCIAL RISK MANAGEMENT (continued)

(iv) Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**19,572**	256,079	**274**	807,034
United States Dollars ("**USD**")	**294**	294	**–**	–

Sensitivity analysis

As Hong Kong Dollars are pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the Hong Kong Dollars to USD exchange rates. As a result, the Directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between Hong Kong Dollars to USD is minimal.

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in Hong Kong Dollars against RMB. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit or equity where the Hong Kong Dollars strengthen 5% (2020: 5%) against RMB. For a 5% (2020: 5%) weakening of the Hong Kong Dollars against RMB, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

	Impact of RMB	
	2021	2020
	HK$'000	HK$'000
Other comprehensive income (Note)	**(965)**	27,548

Note:
This is mainly attributable to the exposure outstanding on monetary items denominated in RMB not subject to cash flow hedge at the end of the reporting period.

39. FINANCIAL RISK MANAGEMENT (continued)

(v) Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2021 HK$'000	2020 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets at fair value through profit or loss	-	5,941	Level 3	Net asset value	N/A (Note)

Note:

The Group has determined that the net asset value represents fair value at the end of the reporting period.

Fair value hierarchy as at 31 December 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss	–	–	5,941	5,941

There were no transfers between Level 1 and 2 during the year.

39. FINANCIAL RISK MANAGEMENT (continued)

(v) Fair values measurements of financial instruments (continued)

(ii) Fair value of the Group's financial assets that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of other financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

	2021		2020	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Bank and other borrowings	**857,797**	**857,797**	1,604,842	1,604,842

(iii) Reconciliation of Level 3 fair value measurements

	Derivative financial asset component of convertible notes HK$'000	**Financial assets at fair value through profit or loss HK$'000**	**Total HK$'000**
At 1 January 2020	89	5,581	5,670
Fair value change	(89)	360	271
At 31 December 2020 and 1 January 2021	–	5,941	5,941
Fair value change (Note)	–	(6,024)	(6,024)
Exchange realignment	–	83	83
At 31 December 2021	**–**	**–**	**–**

Note:

As at 31 December 2020, the fair value of financial assets at fair value through profit or loss was RMB5,000,000 (equivalent to approximately HK$5,941,000). As at 31 December 2021, fair value loss of financial assets at fair value through profit or loss of RMB5,000,000 (equivalent to approximately HK$6,024,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2021 and 2020 are categorised as follows:

	2021 HK$'000	2020 HK$'000
Financial assets		
At amortised cost:		
Trade receivables	**298**	5,140
Security deposits for financing arrangements	**–**	825
Financial assets included in other receivables, deposits and prepayments (Note 22)	**3,948**	13,086
Cash and cash equivalents (Note 23)	**136,575**	356,144
	140,821	375,195
Financial assets at fair value through profit or loss (Mandatorily designated as such):		
Financial assets at fair value through profit or loss	**–**	5,941
	140,821	381,136
Financial liabilities		
At amortised cost:		
Financial liabilities included in trade and other payables, deposits and accrued expenses (Note 24)	**17,393**	173,111
Bank and other borrowings (Note 25)	**857,797**	1,604,842
Lease liabilities (Note 17)	**1,094**	2,873
	876,284	1,780,826

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	**2**	6
Interests in subsidiaries (Note)	**624,068**	624,866
	624,070	624,872
Current assets		
Prepayments	**498**	188
Cash and cash equivalents	**106,342**	89,529
	106,840	89,717
Current liabilities		
Other payables	**4,953**	8,818
Amounts due to subsidiaries	**382,208**	304,741
Other borrowings	**–**	50,000
	387,161	363,559
Net current liabilities	**(280,321)**	(273,842)
Total assets less current liabilities	**343,749**	351,030
Net assets	**343,749**	351,030
CAPITAL AND RESERVES		
Share capital	**112,502**	112,502
Reserves	**231,247**	238,528
Total equity	**343,749**	351,030

Note:

As at 31 December 2021 and 2020, the balance of interests in subsidiaries included amounts due from subsidiaries.

The Company's financial statements were approved and authorised for issue by the Board on 29 March 2022 and signed on its behalf by:

CHEN Zhiwei
Director

KU Ka Lee
Director

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium HK$'000	Convertible notes equity reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2020	168,300	5,619	–	81,601	255,520
Loss and total comprehensive loss for the year	–	–	–	(16,992)	(16,992)
Release of convertible notes equity reserve upon redemption of convertible note at maturity	–	(5,619)	5,619	–	–
At 31 December 2020 and 1 January 2021	168,300	–	5,619	64,609	238,528
Loss and total comprehensive loss for the year	–	–	–	(7,281)	(7,281)
At 31 December 2021	**168,300**	**–**	**5,619**	**57,328**	**231,247**

42. CORPORATE GUARANTEES

As at 31 December 2021, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK$1,127,000,000 (2020: HK$1,127,000,000).

As at 31 December 2020, certain subsidiaries have provided corporate guarantees to a financial institution for securing facilities granted to the Company which amounted to HK$150,000,000. Such corporate guarantees were released upon repayment of other borrowings during the year ended 31 December 2021. As a result, the aforementioned corporate guarantees was nil as at 31 December 2021.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 29 March 2022.

* *For identification purpose only*

Five-year Financial Summary

	Year ended 31 March 2018	Nine months ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	**2021**
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	**HK$'000**
CONTINUING OPERATIONS					
Revenue	47,241	32,787	44,976	36,990	**36,594**
Other (loss)/income, net	(169)	4,235	(26,640)	11,663	**433**
Net gain/(loss) in fair value of investment properties	20,500	19,200	(25,100)	(58,600)	**(35,700)**
Staff costs	(10,373)	(5,668)	(15,788)	(11,277)	**(7,846)**
Depreciation of property, plant and equipment	(840)	(655)	(998)	(989)	**(786)**
Depreciation of right-of-use assets	–	–	(1,475)	(1,224)	**(1,197)**
Impairment losses under expected credit loss model	–	–	(334,743)	–	**(612)**
Other operating expenses	(19,310)	(10,768)	(30,396)	(20,526)	**(14,688)**
Profit/(loss) from continuing operations	37,049	39,131	(390,164)	(43,963)	**(23,802)**
Share of results of an associate	–	–	(234,418)	–	**–**
Impairment of goodwill	–	–	(349,981)	–	**–**
Finance costs	(21,707)	(18,304)	(77,433)	(29,305)	**(18,865)**
Net gains on disposal of subsidiaries	5,375	–	–	8,431	**414,955**
Net gain on disposal of an investment property	4,950	–	–	–	**–**
Profit/(loss) before tax from continuing operations	25,667	20,827	(1,051,996)	(64,837)	**372,288**
Income tax expense	(4,965)	(3,486)	(7,515)	(5,981)	**(4,229)**
Profit/(loss) for the year from continuing operations	20,702	17,341	(1,059,511)	(70,818)	**368,059**
DISCONTINUED OPERATION					
Loss for the year/period from a discontinued operation	–	–	–	(110,262)	**(121,776)**
Profit/(loss) for the year/period	20,702	17,341	(1,059,511)	(181,080)	**246,283**
Profit/(loss) for the year/period attributable to the ordinary equity holders of the Company	20,702	17,341	(1,059,511)	(181,080)	**246,283**
Dividend and distribution	233,097	–	–	–	**–**
Earnings/(loss) per share					
– Basic (in HK cents)	1.90	1.54	(94.18)	(16.10)	**21.89**
– Diluted (in HK cents)	1.89	1.53	(94.18)	(16.10)	**21.89**
ASSETS AND LIABILITIES					
Total assets	2,682,459	2,973,426	2,826,008	2,904,332	**1,970,120**
Total liabilities	603,390	877,118	1,798,582	2,069,585	**891,728**
	2,079,069	2,096,308	1,027,426	834,747	**1,078,392**

Schedule of Properties Held by the Group

At 31 December 2021

MAJOR PROPERTIES

Particulars of major properties held by the Group at 31 December 2021 were as follows:

Investment properties

Location	Type of property	Group interest	Approximate area
Jardine Center, 50 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	GFA of approximately 49,779 sq. ft
Ground Floor and Cockloft Floor, 38 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 446 sq. ft. with yard and the store of approximately 28 and 193 sq. ft. respectively on the ground floor
First Floor, 38 and 40 Jardine's Bazaar, Causeway Bay, Hong Kong	Residential	100%	Saleable area of approximately 762 sq. ft. with flat roof of approximately 99 sq. ft.
Ground Floor including Cockloft of 41 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 600 sq. ft. with yard and store of approximately 80 sq. ft. and 371 sq. ft. respectively with yard of 82 sq. ft. on the ground floor
Ground Floor, 57 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	Saleable area of approximately 715 sq. ft.
Shop No.1 on Ground Floor including Portions of The Flat Roof and Canopy over and above The Shop No.1 on the Ground Floor, K.K. Mansion, 119, 121 & 125 Caine Road, Mid-Levels West, Hong Kong	Commercial	100%	Saleable area of approximately 1,345 sq. ft. with flat roof of approximately 273 sq. ft.

Schedule of Properties Held by the Group

At 31 December 2021

Properties for sale

Location	Type of property	Group interest	Approximate area
Jinxi Yijingyuan (金義頤景園) located at Lot No. 2 Huajin Street at the southern side of Jingang Avenue and the western side of Huajin Street Jinyi New Urban District Jinhua City Zhejiang Province The PRC	Commercial and residential	48.51%	GFA of approximately 337,530 sq.m.