NEW CITY DEVELOPMENT GROUP LIMITED

新城市建設發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0456)

ANNUAL REPORT

2020

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Han Junran (Chairman)
Mr. Luo Min

Independent Non-Executive Directors

Mr. Chan Yiu Tung, Anthony
Dr. Ouyang Qingru
Mr. Zhang Jing
Mr. Leung Kwai Wah Alex
Mr. Wong Pak Wing
Mr. Luo Zhen (appointed on 4 May 2020)

COMPANY SECRETARY

Ms. Chan Yim Kum

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 17/F, MG Tower,
133 Hoi Bun Road,
Kwun Tong,
Kowloon,
Hong Kong

AUDITORS

McMillan Woods (Hong Kong) CPA Limited
3rd Floor, Winbase Centre,
208 Queen's Road
Central, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank
China Citic Bank International Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
North Point, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Han Junran
Ms. Chan Yim Kum

Financial Highlights

	2020 HK$'000	2019 HK$'000	Change
Revenue	**46,794**	48,494	(47.15%)
(Loss)/profit from operations	**(3,471)**	22,782	(54.36%)
Loss for the year	**(33,788)**	(3,739)	(127.27%)
Total equity	**792,037**	741,612	7.60%
Total assets	**1,932,582**	1,559,348	23.62%
Total liabilities	**1,140,545**	(817,736)	42.90%
Basic loss per share (HK cents)	**(0.68)**	(0.03)	(107.32%)

Chairman's Statement

BUSINESS AND OPERATION REVIEW

BUSINESS REVIEW

The Group recorded a revenue of approximately HK$46,794,000 and recorded a loss after tax of approximately HK$33,788,000 for the year ended 31 December 2020.

Major business arrangements

Continuing Connected Transactions

On 31 May 2020, new tenancy agreements (the "New Tenancy Agreements") were respectively entered into (i) between New Rank Services Limited (a wholly-owned subsidiary of the Company) as tenant and Winrich Investments Limited as landlord for leasing of the office premises; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises and car parking space; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the staff quarter and car parking space. The New Tenancy Agreements are for a term of one year commencing from 1 June 2020. All of Winrich Investments Limited, Goldrich Investments Limited and Jiacheng Jiaxin International Property Management (Hong Kong) Limited are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

OUTLOOK AND PROSPECT

The Group's wholly-owned subsidiary, Guangdong Changliu Investment Company Limited ("Changliu"), currently is the Group's main operating unit. Profit generated from the rental and related management service of Changliu slightly decreased as compared to last corresponding period. The leasing of Changliu will continue to be one of the Group's main commercial activities. The Group expects that the rental income from Changliu will be maintainable in the coming year.

Since year 2019, the Group has already planned to launch its "New Day, New Life, New City" theme of its future development as part of the integration of property development and property management with daily needs in living. Through the entrance of retail business both online and supermarket chain, YBJ, located in Great Bay Area together with the acquisition of the Beijing property management intellectual property licensor as well as the Zhuhai property development company, all these have made a prefect integration and implementation of the aforesaid theme of the Group in the year 2020.

Supermarket Business, PRC

During the period under review, the outbreak of COVID-19 has adversely and significantly impacted the retail industry. The management has discussed with the partner of the retail business of YBJ supermarket operation. Having reviewed the current situation, the Company has determined to commence substantial operation from year 2021 for a period of 20-year operating right licensing from its original tenure of 10-year under the original intangible asset licensing arrangement instead.

Property Management in Beijing, PRC

The Group acquired 70% equity interest of China Goal, Inc. in the year 2019 which has licensed out its intellectual property rights on property management through a Hong Kong incorporated company to PRC entities. In view of the future recovery of the economic activities after the COVID-19 time, the market is expected to put more emphasis on the demand of well-managed property hygiene. The Group has a prosperous view on the development of the property management market and would expect to explore different opportunities to widen its participation in the property management market in forthcoming years.

Investment properties in Luoyang

With regard to Luoyang Properties, on 5 December 2017, the Group submitted a construction plan to 洛陽市城鄉規劃局 ("洛陽規劃局"). After 洛陽規劃局's review, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範 區商務中心區辦公室 for approval and the document was submitted on 17 July 2018. On 13 August 2018, the Group received a notice from 洛陽市城鄉一體化示範區商務中心區辦公室, pursuant to which, the location of Luoyang Properties was minimal adjusted. Due to the outbreak of COVID-19 the Group is still waiting for 洛陽市城鄉一體化示範區商務中心區辦公室 to obtain the official documents of the change of Luoyang Properties in order for the Group to apply for the construction planning permit (建築規劃許可證) and construction permit (建築工程許可證).

Property Development in Zhuhai, PRC

The development of Zhuhai property is part of the Group's commercial property development projects in Great Bay Area that was scheduled in year 2020. The impact of COVID-19 has actually delayed the development of the whole property market. The Group believes that the property market will revive in year 2021 with the significant input in boosting up the recovery of economy after the COVID-19 time. The Group foresees there are lots of opportunities in capturing the strong growing prospect of economic recovery in the next years ahead as part of the National policy of encouraging economic growth by the Government. The Group has determined that most of the development units of the Zhuhai project would be regarded as inventory for future realization with the view of reserving more cash on hand so as to capture different business opportunities in the forthcoming years instead of treating the development project as an investment property.

The Group would continue its effort in implementing its theme of "New Day, New Life, New City" in the year 2021 in line with the economic recovery at the Post COVID-19 time, particularly in the Great Bay Area.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditors, McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020. The work performed by McMillan Woods in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the management team and staff for their dedication and contribution to the Group.

Han Junran
Chairman

FINANCIAL REVIEW

Result

For the year under review, the Group reported a turnover which represented the rental income and related management service income and sales of buses of approximately HK$46,794,000 and HK$0 (2019: HK$44,287,000 and HK$4,207,000). The Group's net loss for the year was approximately HK$33,788,000 (2019: loss HK$3,739,000). The basic loss per share for the year was approximately 0.68 HK cents (2019: loss per share 0.03 HK cents). Administrative expenses was approximately HK$58,397,000 (2019: HK$46,315,000). Finance costs was approximately HK$30,306,000 (2019: HK$26,410,000).

Liquidity, Financial Resources and Funding Requirements

As at 31 December 2020, the Group's total assets was approximately HK$1,932,582,000 (2019: HK$1,559,348,000) and total liabilities were of approximately HK$1,140,545,000 (2019: HK$817,736,000). As at 31 December 2020, the cash and bank balances was approximately HK$43,458,000 (2019: HK$11,175,000) and the current ratio (current assets/current liabilities) was 4.74 as at 31 December 2020 (2019: 2.06).

Pledge of Assets

As at 31 December 2020, the Group's investment properties located in Guangzhou (note 20(a)) Luoyang (note 20(b)) and Zhuhai (note 20(c)) were pledged to secure bank borrowings, details of which are set out in note 30 to the consolidated financial statement.

Gearing Ratio

The gearing ratio (net debt/capital and net debt) was 43% as at 31 December 2020 (2019: 45%).

Capital Structure

There is no change in the capital structure of the Company.

Exchange Risks

The majority of the Group's operations are located in the People's Republic of China (the "PRC") and the main operational currencies are Hong Kong Dollars and Renminbi. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assessing exchange risks.

Dividends

The directors did not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

Employees

As at 31 December 2020, the Group has employed about 74 (2019: 68) employees in Hong Kong and PRC. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.

Significant Investments and Material Acquisitions

Details of the significant investments and material acquisitions are set out in note 44(a) to the consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities are set out in note 40 to the consolidated financial statements.

Commitments

Details of the commitments are set out in notes 42 and 43 to the consolidated financial statements.

THE USE OF PROCEEDS

The net proceeds from the subscription of new shares, which were based on the respective subscription prices of HK$0.073, were approximately HK$51.5 million (the "Net Proceeds").

As disclosed in the announcements of the Company dated 15 April 2020, the Company intended to use such net proceeds as general working capital for the Company to develop its existing and future business and for financing possible acquisition and investment opportunities of the Company.

The details of the intended use of the Net Proceeds, the actual use of the Net Proceeds up to 31 December 2020 and the remaining balance of the Net Proceeds as at 31 December 2020 are set out as follows:

	HK$ million
Intended use of the Net Proceeds	51.50
Actual use of the Net Proceeds up to 31 December 2020	
General working capital to develop the Group's existing and future business	23.7
Possible acquisition and investment	15.25
	38.95
Balance as at 31 December 2020	12.55

The Group will use the remaining net proceeds from the subscription of new shares in accordance with the purposes stated in the announcement of the Company dated 15 April 2020.

ENVIRONMENTAL PERFORMANCE

Details of environmental performance are set out in the Environmental, Social and Governance Report on pages 20 to 29.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinance relating to disability, sex, and family status, as well as the Employment Ordinance, the Minimum Wage Ordinance and well-being of its employees. The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc. The Group has also complied with the Stamp Duty Ordinance, Rating Ordinance and Inland Revenue Ordinance in respect of renting of premises during the year ended 31 December 2020. During the year ended 31 December 2020, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

Corporate Governance Report

CORPORATE GOVERNANCE

The Company has complied with all the code provisions ("Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules of the Stock Exchange, save for the deviations listed below:

The Chairman of the Company is also the chief executive officer of the Company, which deviates from Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As the current nature of the Group's business is not complicated, the Board considers that the current structure is sufficient for monitoring and controlling the operation of the Group. The Company will review the structure from time to time and will make necessary arrangements to observe the provisions of the Listing Rules whenever necessary.

According to the Articles of Association of the Company, the non-executive directors of the Company are not appointed for specific terms. Thus, they are deviated from Code Provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy shall hold office only until the next following general meeting and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in view of the fact that non-executive directors are subject to retirement by rotation as stipulated in the Company's Articles of Association, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions. The Company will review its Articles of Association from time to time and will make necessary amendments to ensure observance of the provisions of the Listing Rules whenever necessary.

In respect of Code Provision A.6.7 of the CG Code, four Independent Non-executive Directors did not attend the annual general meeting of the Company held on 11 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of the Directors, the Directors have complied with the Model Code throughout the year ended 31 December 2020.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This Annual Report will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.newcitygroup.com.hk). The 2020 Annual Report will be despatched to our Shareholders on or before 28 April 2021 and will be available at the websites of the Stock Exchange and the Company.

THE BOARD OF DIRECTORS

Composition and role of the Board

The Board is responsible for the overall strategic development and business operation of the Group and also monitors the financial performance and control on business operation. The Board will from time to time review the Company's governance practices and will provide complete and sufficient information to its members so as to ensure effective performance of their responsibilities. Currently, the Board is comprised of two Executive Directors and six Independent Non-Executive Directors, which includes:

Executive Directors	:	Mr. Han Junran (Chairman) Mr. Luo Min
Independent Non-Executive Directors	:	Mr. Chan Yiu Tung, Anthony Dr. Ouyang Qingru Mr. Zhang Jing Mr. Leung Kwai Wah Alex Mr. Wong Pak Wing Mr. Luo Zhen (appointed on 4 May 2020)

Biographical details (including age, gender and length of service) of the Board members are set out on pages 30 to 31 of this annual report.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three Independent Non-Executive Directors, together with the requirements of Rule 3.10(2) of the Listing Rules stipulating that at least one of the Independent Non-Executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. The Board considers that each Independent Non-Executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules.

The Company has received from each Independent Non-Executive Director an annual confirmation pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's business to the Executive Directors, senior management and certain specific responsibilities to the Board Committees.

DIRECTORS' TRAINING

According to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a Director of a listed company.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2020 to the Company.

The Company has also continuously updated the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The individual training record of each Director received for the year ended 31 December 2020 is summarised below: —

Names of Directors	Attending or participating in seminars/conferences/ corporate events or visits/ reading relevant to the business/Directors' duties
Executive Directors:	
Mr. Han Junran *(Chairman)*	✓
Mr. Luo Min	✓
Independent Non-Executive Directors:	
Mr. Chan Yiu Tung, Anthony	✓
Dr. Ouyang Qingru	✓
Mr. Zhang Jing	✓
Mr. Leung Kwai Wah Alex	✓
Mr. Wong Pak Wing	✓
Mr. Luo Zhen (appointed on 4 May 2020)	✓

During the year ended 31 December 2020, 3 full Board meetings were held by the Company and complied with the Code Provision A.1.1. The 2019 annual general meeting was held by the Company on 11 June 2020. The Company has already established a profound regime to ensure effective communication among the Directors.

The attendance record of each Director at the Board meetings and the 2020 annual general meeting are as follows:

Names of Directors	Attendance/Number of Board meetings	Attendance of 2019 annual general meeting
Mr. Han Junran	5/6	✓
Mr. Luo Min	6/6	—
Mr. Chan Yiu Tung, Anthony	1/6	—
Dr. Ouyang Qingru	0/6	—
Mr. Zhang Jing	5/6	—
Mr. Leung Kwai Wah Alex	6/6	✓
Mr. Wong Pak Wing	0/6	—
Mr. Luo Zhen (appointed on 4 May 2020)	0/4	N/A

Chairman and Chief Executive Officer

According to Code Provision A.2.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. During the year ended 31 December 2020, the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Han Junran. As the current nature of the Group's business is not complicated, the Board believes the current management structure is sufficient for monitoring and controlling the operation of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals with diversity of perspectives in accordance with Code Provision A.3. The Board currently comprises two Executive Directors and five Independent Non-Executive Directors and therefore has a strong independence element in its composition. The Company will review its structure from time to time and make relevant arrangements to observe the provisions of the Listing Rules whenever necessary.

Appointment, re-election and removal of the Directors

The Non-Executive Directors of the Company are not appointed for specific terms, thus deviates from Code Provision A.4.1. According to Article 87(1) of the Articles of Association, since the Chairman of the Board, whilst holding such office, is not subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year, Code Provision A.4.2 is deviated. The Chairman plays an essential role in the growth and development of the Group. At presence, the Chairman's continuing presence in the Board is important to assure sustainable development of the Group. Given the importance of the Chairman's role, the Board considers that the relevant article in the Articles of Association has no material impact on the operation of the Group as a whole. Meanwhile, in view of the fact that Non-Executive Directors are subject to retirement by rotation in accordance with the Articles of Association of the Company, the Company considers that there are sufficient measures in place to ensure that the corporate governance of the Company are no less exacting than the Code Provisions.

Pursuant to Articles 87(1) and 87(2) of the Articles of Association, Mr. Chan Yiu Tung, Anthony, Mr. Wong Pak Wing and Mr. Luo Zhen shall retire at the 2020 AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2020 AGM.

In accordance with Rule 13.74 of the Listing Rules, a listed issuer shall disclose the details required under Rule 13.51(2) of the Listing Rules of any director(s) proposed to be re-elected or proposed new director in the notice or accompanying circular to its shareholders of the relevant general meeting, if such re-election or appointment is subject to shareholders' approval at that relevant general meeting. The requisite details of the above retiring Directors are set out in Appendix II to this circular.

BOARD COMMITTEES

The Board has established various committees under the Board, namely Audit Committee, Remuneration Committee and Nomination Committee (collectively, "Board Committees"), to oversee different aspects of the Group's affairs and to assist in the execution of the Board's responsibilities.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee shall consist members of Non-Executive Directors of the Company. The Audit Committee currently comprises three Independent Non-Executive Directors, namely Mr. Leung Kwai Wah Alex (as Chairman), Mr. Chan Yiu Tung, Anthony and Mr. Zhang Jing. The quorum of meetings of the Audit Committee shall be any two members. The terms of reference of the Audit Committee are currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Audit Committee are aligned with the Code Provisions set out in the CG Code.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal of such auditor; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with reporting and accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2020, the Audit Committee held 2 meetings. Each committee meeting has been supplied with the necessary financial information of the Group for members to consider, review and access significant issues arising from the work conducted.

Names of members	Attendance/Number of meetings
Mr. Leung Kwai Wah Alex *(Chairman)*	2/2
Mr. Chan Yiu Tung, Anthony	1/2
Mr. Zhang Jing	2/2

During the year under review, the Audit Committee had performed the following work:

— reviewed the annual results for the year ended 31 December 2019 and the interim results for the six months ended 30 June 2020;

— discussed with the management of the Company over the completeness, fairness and adequacy of reporting and accounting standards and policies of the Group in the preparation of the 2020 interim and annual financial statements;

— reviewed and discussed with the external auditor over the financial reporting of the Company;

— recommended to the Board, for the approval by Shareholders, of the re-appointment of the auditor; and

— reviewed the internal control procedures of the Group.

The Board also delegated certain corporate governance functions to the Audit Committee, including the review and monitoring of (a) the Group's policies and practices on corporate governance and make recommendations to the Board; (b) the training and continuous professional development of Directors and senior management; (c) the Group's policies and practices on compliance with legal and regulatory requirements; (d) the code of conduct of the Group applicable to employees and Directors; and (e) the Group's compliance with the Code and disclosure in the Corporate Governance Report.

REMUNERATION COMMITTEE

The Company formulated written terms of reference for the Remuneration Committee in accordance with requirements of the Stock Exchange. The Remuneration Committee shall comprise at least three members with majority of Independent Non-Executive Directors, and an Independent Non-Executive Director should take up the role of Chairman of the Remuneration Committee. The Remuneration Committee currently comprises two Independent Non-Executive Directors, namely, Mr. Chan Yiu Tung, Anthony (as Chairman), and Mr. Leung Kwai Wah Alex and one Executive Director, Mr. Han Junran. The quorum of meetings of Remuneration Committee shall be any two members. The terms of reference of the Remuneration Committee are currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Remuneration Committee are aligned with the Code Provisions set out in the CG Code.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing a remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, and to make recommendations to the Board on the remuneration of Independent Non-Executive Directors.

During the year ended 31 December 2020, the Remuneration Committee held 1 meeting for reviewing the remuneration package of the Directors of the Company and approving the proposed remuneration of a senior management.

Names of members	Attendance/Number of meetings
Mr. Chan Yiu Tung, Anthony *(Chairman)*	1/1
Mr. Han Junran	1/1
Mr. Leung Kwai Wah Alex	1/1

The emolument payable to Directors and senior management will depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee of the Company, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 15 and 16 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established on 1 April 2012. Prior to the establishment of the Nomination Committee, its role and functions were performed by the Board. The Chairman from time to time reviewed the composition of the Board with particular regard to the number and the independence of the Independent Non-Executive Directors. The Board also reviewed and determined the suitability and terms for re-appointment of Directors.

The Company formulated written terms of reference for the Nomination Committee in accordance with requirements of the Stock Exchange and amended the same on 23 August 2013. The Nomination Committee shall comprise at least three members with a majority of Independent Non-Executive Directors, and the Chairman of the Board or an Independent Non-Executive Director should take up the role of Chairman of the Nomination Committee. The Nomination Committee currently consists of one Executive Director, Mr. Han Junran (as Chairman), and three Independent Non-Executive Directors, namely, Mr. Leung Kwai Wah Alex, Mr. Chan Yiu Tung, Anthony and Mr. Zhang Jing. The quorum of meetings of the Nomination Committee shall be any two members. The terms of reference of the Nomination Committee are currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Nomination Committee are aligned with the Code Provisions set out in the CG Code.

The functions of the Nomination Committee are to review and monitor the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Group's strategy; to identify qualified individuals to become members of the Board; to assess the independence of Independent Non-Executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive.

The Company adopted a board diversity policy in August 2013 to enhance the quality of its performance in accordance with Code Provision A.5.6. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All board appointments will be based on meritocracy, and candidates will be selected based on a range of diversity perspectives, including gender, age, cultural background and ethnicity, educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee will review the policy as appropriate to ensure its effectiveness and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the year ended 31 December 2020, the Nomination Committee reviewed the composition of the Board and the retirement and re-election of Directors. The Committee held 1 meeting during the year and the attendance records of the members at the meeting are set out below:

Names of members	**Attendance/Number of meetings**
Mr. Han Junran *(Chairman)*	1/1
Mr. Chan Yiu Tung, Anthony	0/1
Mr. Leung Kwai Wah Alex	1/1
Mr. Zhang Jing	1/1

SECURITIES TRANSACTIONS BY DIRECTOR

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors of the Company. All the members of the Board have confirmed, following the specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2020. The Model Code also applies to other specified senior management of the Group.

AUDITORS' REMUNERATION

The statement of the external auditors of the Company on their reporting responsibilities for the Group's consolidated financial statements for the year ended 31 December 2020 is set out in the section headed "Independent Auditors' Report" in this annual report.

The fees paid/payable to the Company's external auditors, McMillan Woods (Hong Kong) CPA Limited and its affiliates in respect of audit and non-audit services for the year ended 31 December 2020 are as follows:

Nature of services	**Amount (HK$'000)**
Audit services	700

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the consolidated financial position of the Group and of the consolidated financial performance and consolidated cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2020, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis.

The Directors acknowledge their responsibility to prepare the consolidated financial statements as set out on pages 46 to 131 of this annual report. The statement of the external auditors about their reporting responsibilities on the consolidated financial statements is set out in the paragraph headed "Independent Auditors' Report" on pages 35 to 45 of this annual report.

INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective internal control system to safeguard the Group' assets against unauthorised use or disposition, and to protect the interests of Shareholders of the Company.

During the year ended 31 December 2020, the Board conducted an annual review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance as well as risk management.

COMPANY SECRETARY

During the year ended 31 December 2020, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH THE SHAREHOLDERS

Communication between the Company and its Shareholders are achieved through various means including the convening of general meetings, the dispatch of annual reports, interim reports and circulars. The Chairman of the Board also proposes separate resolution for each substantive issue including re-election of Directors.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to Articles 58 of the Articles of Association, an extraordinary general meeting ("EGM") may be convened by the Board on a written requisition of any one or more Shareholders of the Company holding not less than 10% of the paid up capital of the Company carrying the right of voting at general meeting of the Company. The EGM shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene the EGM, the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) of the Company.

Enquiries put to the Board

Shareholders may send written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

Articles of Association

There was no change to the Articles of Association to the Company during the year ended 31 December 2020.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update the latest business development and financial performance including the publication of interim and annual reports, the publishing and posting of notices, announcements and circulars on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.newcitygroup.com.hk) in a timely manner in order to maintain a high level of transparency, and to ensure there is no selective disclosure of inside information.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

1.1. Background

The Group is committed to ethical corporate citizenship and to promoting sustainability in its business activities. The Group demonstrates these commitments through transparent and responsible management of our environment and social practices.

1.2. Reporting Standards

The ESG Report (the "Report") was prepared in accordance with the ESG Reporting Guide set out in the Appendix 27 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In preparation of the Report, the Group strictly adhered to the principles of Materiality, Quantitative, Balance and Consistency to disclose the ESG-related measures and performances.

The corporate governance of the Group was prepared in accordance with all applicable code provisions set out in the Corporate Governance Code under Appendix 14 of the Listing Rules of the Stock Exchange. Information regarding the Group's corporate governance was set out separately in the "Corporate Governance Report" in this annual report.

1.3. Reporting Scope

The scope of the Report covers the environmental and social performance of the business operations in the Group's head office located in Hong Kong as well as two commercial offices in the People's Republic of China (the "PRC"), from 1 January 2020 to 31 December 2020 (the "year").

1.4. Opinion and Feedback

The Group values the opinion of stakeholders. If any stakeholder has any feedback or suggestions on the Report, please send them to the Company's email address at info@newcitygroup.com.hk. Your feedback or suggestions would help the Group continuously improve its ESG performance.

2. MANAGEMENT APPROACH TO ESG

The Board takes the overall responsibility for the oversight of the Group's ESG matters, including policies, measures, performance and risks. Through regular board meetings, the Board evaluates and reviews ESG matters as appropriate.

3. MATERIALITY ASSESSMENT

3.1. Stakeholder Engagement

The Group understands the importance of developing long-term relationships and constant dialogues with various stakeholders. The management seeks to balance the views and interests of various constituencies through constructive conversation. Key groups of stakeholders are shown below:

Internal Stakeholders	External Stakeholders
— The Board — Management — General staff	— Shareholders/Investors — Customers — Government

Understanding the needs and expectations of stakeholders enables the Group to respond to their concerns and manage potential risks. To solicit their feedback, the Group engages its key stakeholders through a range of channels such as meetings, emails, telephone, interviews, and website.

Highlights of stakeholder engagement are shown below:

Customers	Customer feedback is invaluable as the Group operates in extremely competitive markets. There are a number of channels to solicit customer comments and recommendations through our website and email communications.
Government	Along with different government laws, rules and regulations between Hong Kong and the PRC, the Group makes tremendous effort to ensure that it is complied with the relevant laws and regulations.

The Group believes that stakeholder engagement is a continuous process and will continue to explore different forms of engagement channels in order to strengthen its interaction with stakeholders to create mutually beneficial relationships.

3.2. Material topics

To ensure the Report address the environmental and social issues that are important to the business operation and its stakeholders, the Group has assessed the ESG aspects set forth in the ESG Reporting Guide. The table underneath shows the material ESG issues for the Group.

ESG Aspects as set forth in ESG Reporting Guide		Material ESG issues for the Group
(A) Environmental	A1 Emissions	Air pollution, emission from company vehicle and electricity
	A2 Use of Resources	Use of energy
	A3 Environment and Natural Resources	No other significant environmental impact
(B) Social	B1 Employment	Labour practices
	B2 Health and Safety	Workplace health and safety
	B3 Development and Training	Employee development and training
	B4 Labour Standards	Anti-child and forced labour
	B5 Supply Chain Management	Supply chain management
	B6 Product Responsibility	Product responsibility
	B7 Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
	B8 Community Investment	Community programs, employee volunteering and donation

4. (A) ENVIRONMENTAL

The Group recognises the importance of environmental stewardship and a healthy environment. The Group is dedicated to maintaining its energy consumption and emission at low levels. The management strives to enhance operational efficiency and has actively implemented eco-friendly measures to reduce carbon footprint in our business operations. For instance, board meetings and management meetings have largely moved online. Such changes reduce travel emission following the implementation of carbon reduction measures.

Type of emission sources that the Group involved during the year was mainly electricity. The Group's business did not involve in production-related air, water, and land pollutions which are regulated under national laws and regulations. There were no water consumption and packaging materials involved in the Group's business operation.

4.1. A1 Emissions

Air emission

Key air pollutants were emitted by company vehicles. Since the Group did not consume any town fuel and town gas during the year, no emissions data from gaseous fuel consumption was recorded.

Other air pollution was mainly produced by photocopiers, stale air drawn in from outside through poorly located fresh air inlets and bacteria that entered the office. In order to improve the indoor air quality, the Group has implemented a range of air pollution emission measures as follows:

— Ensure air inlets are away from any source of pollutants and sufficient ventilation systems;

— Clean all air units regularly (e.g. air inlets, air outlets and filters); and

— Perform regular maintenance on carpet and furniture upholstery.

The air emissions data is set out in the table below.

Air emissions (Note)	2020	2019	Unit
Nitrogen oxides (NOx)	22.9	42.3	Kg
Sulphur oxides (SOx)	0.065	0.078	Kg
Respirable suspended particulates	0.5	4.0	Kg

Note: Including head office in Hong Kong only

Greenhouse gases (GHG) emission

The quantification of GHG emissions was conducted in accordance with international and local standards. During the year, the total GHG emission was 28.1 tonnes (2019: 28.0 tonnes) of carbon dioxide equivalent which was similar to that of the year 2019.

The primary source of GHG emission was Scope 2 energy direct GHG emissions, which was mainly contributed by electricity consumption, accounting for 58% of the total GHG emissions. Scope 1 direct GHG emissions constituted the rest of the total GHG emissions. The decrease in Scope 1 direct emission was due to less vehicle fuel consumption during the lock down period while the increase in Scope 2 indirect emission was due to the change of reporting scope which has included the commercial offices in the PRC. The GHG emission data is set out in the table below.

GHG emissions	2020 (Note 1)	2019 (Note 2)	Unit
Scope 1 Direct Emission	11.9	14.3	tonnes of CO2-e
Scope 2 Indirect Emission	16.2	10.8	tonnes of CO2-e
Scope 3	0	2.9	tonnes of CO2-e
Total GHG emission	28.1	28.0	tonnes of CO2-e
GHG intensity	0.04	0.09	tonnes of CO2-e/m^2

Note 1: Including head office in Hong Kong and commercial offices in the PRC.

Note 2: Including head office in Hong Kong only. The Group is progressively improving the data management system to enhance the accuracy of the disclosure. Relevant figures are modified due to technical refinement.

Non-hazardous waste

The Group generated minimal quantities of hazardous waste in its operation. Non-hazardous waste from the Group's operation was mainly office paper and the management of the Group believed that the impact of non-hazardous waste arose from the paper waste was insignificant. Mindful of its responsibility to manage and reduce the waste, the Group has implemented a set of measures at offices:

General waste in offices	— Adopt e-communication whenever possible — Use recycled paper and double-sided printing — Use E-flyer to allow printing on demand basis

4.2. A2 Use of resources

Use of energy

Improving operational energy efficiency is a fundamental strategy to reduce energy consumption and associated GHG emissions. The total energy consumption of the year was 2,988,605.7 kWh-e (2019: 72,798.2 kWh-e) which was higher than that of the year 2019. Such increase was due to the change of reporting scope which has included the commercial offices in the PRC.

Energy consumption		2020 (Note 1)	2019 (Note 2)	Unit
Direct energy	Petrol	42,654.7	51,153.4	kWh-e
Indirect energy	Electricity	33,763.9	21,644.9	kWh
Total energy consumption		76,418.7	72,798.2	kWh-e
Energy intensity		106.9	245.3	kWh-e/m^2

Note 1: Including head office in Hong Kong and commercial offices in the PRC.

Note 2: Including head office in Hong Kong only. The Group is progressively improving the data management system to enhance the accuracy of the disclosure. Relevant figures are modified due to technical refinement.

Water consumption

There were no water consumption involved in the Group's business operation. The Group mainly withdraws water from municipal supplies and has no issue in sourcing water during the year. Domestic water is consumed for personal hygiene and routine cleaning.

4.3. A3 Impacts on natural resources and management actions

The Group believes that corporate development should not come at the expense of the environment. Therefore, the Group has adopted environmentally friendly practices in various aspects and company events. In addition to the emissions and resource use disclosed hereinabove, the nature of the Group's operation did not have any significant impact on the environment and natural resources.

There was no non-compliance case noted in relation to environmental laws and regulations for the year.

5. (B) SOCIAL

Being a responsible business and employer, the Group is committed to consistently looking for ways to meet the corporate social responsibilities. The Group focuses on its staff, environment and community as well as its business partners.

5.1. B1 Employment and labour practices

A sound employment system is the first step in talent attraction and retention. The Group offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retain talents. The Group possesses a Remuneration Committee, which regularly reviews its remuneration policy. The Remuneration Committee ensures packages offered by the Group are appealing to employees and in line with the market trend.

Employees are entitled to discretionary cash bonus and retirement benefit scheme. Additional fringe benefits include office insurance, employee compensation insurance, directors' and officers' liability insurance. Various types of paid leave are also offered on top of statutory requirement including annual leave, sick leave, maternity leave, paternity leave, compensation leave, compassionate leave and wedding leave. Employees working overtime are entitled to overtime allowance and compensation by time off. The Group may also at its sole discretion, to grant share options to employees as a long-term incentive aiming to motivate employees pursuing Group's goal and objectives. Employees including directors can subscribe shares of the Company based on their performance and contribution to the Group.

Total workforce and breakdown

The Group had a total number of 74 (2019: 68) employees as of 31 December 2020, in which 49 employees were included in the reporting scope. Of all employees in the Group, 74% (2019: 68%) was full-time staff in the PRC while the turnover rate was 0%. The workforce data is set out in the table below.

Breakdown	Number of Employees
Total Number of Employees	74
By Gender	
Male	70%
Female	30%
By Employment Level	
Senior management	31%
Department Head	11%
General staff	58%
By age	
30 and below	19%
31—50	36%
51 and above	45%

The Group will continue to provide a well-structured and caring environment to its employees to raise their sense of belonging and work efficiency at the Group.

5.2. B2 Employee health and safety

The Group strives to promote safety awareness, improves occupational environment and reduces occupational risks. The Group continuously promotes safety awareness among employees and commits to providing a healthy and safety working environment for its employees. The Group has dedicated adequate resources and effort to uphold and improve the Group's safety management measures in order to reduce the risks relating to labour safety, such as: ensuring a healthy and safety workplace and compliance with all relevant workplace health and safety laws, and maintaining various insurance policies for employees' compensation and liability.

During the outbreak of the COVID-19 pandemic, the Group has several policy to protect its staff:

— All public area would be performed disinfection on timely basis;

— Provide mask and disinfection supplies to all staff;

— Request all management provide mask himself/herself; and

— Request each Department Head to monitor the health status of its staff on timely basis.

During the year, the Group had no non-compliance case regarding violation of relevant laws and regulations on occupational health and safety.

	2020		2019	
Health and safety	**Male**	**Female**	**Male**	**Female**
Number of work-related fatalities	0%	0%	0%	0%
Lost days due to work injury	0%	0%	0%	0%

5.3. B3 Development and training

The Group provides training covering topics of business operations, policy and procedures of the Group, statutory and regulatory obligations of being a director. Briefings and seminars are also provided to staff after the induction to refresh the professional knowledge and skills.

In addition, the Group supports employees' personal development through attending external trainings. Special leave would be granted for training purpose. Thus, various types of relevant seminars or training courses are recommended to employees via email and they can choose to register either in person or through the Company.

Open communication helps build trust and higher levels of engagement in the workplace. Communication channels, such as notices, emails, team briefings, are available for frontline staff to raise any concerns at work to their direct supervisors and managers. Performance appraisals and annual surveys are also served as platforms for the management to evaluate the performances of frontline staff and voice out their expectations to the Group's future development.

5.4. B4 Labour standards

The Group believes in nurturing and developing top talents regardless of race, gender, age, religious belief, pregnancy, marital status, family status or disability. This measure ensures all employees and job applicants enjoy equal opportunities and fair treatment in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, race, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law. The Group also appreciates the importance of cultural diversity in the development of the Group.

In particular, the Group adopts a Board Diversity function under which the Board composition includes members from with different skills, industry knowledge and experience, education, background and other qualities without discrimination.

During the year, the Group did not identify any non-compliance cases regarding violation of relevant child labour and forced labour laws. No child or forced labour was employed in the Group's operations during the year that was compliance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong in terms of employment management.

5.5. B5 Supply Chain Management

The Group has a policy in place to obtain quotations from more than one supplier for procurement. The selection of suppliers or service providers would base on specifications and standards, product and service quality as well as service support.

5.6. B6 Product responsibility

As stated in the Group's Employee Manual, insider information is prohibited to disclose to third party. The Group respects customer privacy and intellectual property rights of any third-party and therefore consumer data and privacy matters relating to services are protected. The Group's business operation did not receive any product or service related complaints.

During the year, the Group did not identify any non-compliance cases regarding violations of relevant laws and regulations on product responsibility and data privacy during the year.

5.7. B7 Anti-corruption

The Group is strongly against bribery, extortion, fraud and money laundering. During the year, the management of the Group did not find any case of bribery or fraud. Through the controlled environment developed by all staff, the Group believes that the risk of the occurrence of fraud behavior has been minimised. The Group will continue to monitor the related risks so as to maximise the values for the shareholders and other related parties.

During the year, the Group did not identify any non-compliance cases with laws and regulations in relation to corruption nor was there any concluded legal case regarding corruption practices brought against it or its employees.

5.8. B8 Community investment

To maintain a high standard of corporate governance, the Group acknowledges the importance of enhancing its transparency to the community. The community is regularly informed of updated news and directions of the Group through circulars, announcements and annual reports posted on the Company's website. The Group is currently planning its direction on focus area of community engagement and types of resources to be contributed.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. Han Junran, aged 64, obtained a professional law diploma from China Politics and Laws University in 1988. In 2001, Mr. Han also obtained a master's degree in enterprise management from Capital University of Economics and Business. Mr. Han has worked for Beijing Urban Construction Group Company Limited, the office of The Standing Committee of the National People's Congress of Beijing City and the office of the Beijing Municipal Government since 1983. Mr. Han joined the Group in December 1999 as the Group's general manager. Mr. Han is currently responsible for the Group's overall strategic development and management. Mr. Han was appointed as an Executive Director of the Company in December 1999 and the Chairman of the Company in December 2002.

Mr. Luo Min, aged 54, is an engineer and has extensive experience in property development, investments and management. Mr. Luo was appointed as a Non-Executive Director of the Company in May 2008. On 1 March 2012, Mr. Luo has been redesignated from a Non-Executive Director to an Executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yiu Tung, **Anthony**, aged 62, graduated from University of Toronto in 1982. Mr. Chan has over 20 years experience in the construction and property investment field and is currently the managing Director of Chan Shum Kee Sam Lee Construction Company Limited. Mr. Chan is currently the member of various organisations including Lions Club of Hong Kong West (President during the years 1996/97 and 2001/02), Hong Kong Registered Contractors Association (President), The Hong Kong Construction Association Ltd (Council Member), H.K. General Building Contractors Association Ltd (President for 2011- 2013), Kwong Yuet Tong Hong Kong (Council Member), Association of Hong Kong Nanjing Fellows Ltd (Director), The Chinese General Chamber of Commerce (Shamshuipo) (Council Member), Commercial & Industrial Committee of DAB (Council Member), Guangzhou Overseas Friendship-Liaison Association (Council Member), Yan Oi Tong (Directors for the years 2006 to 2009 and 2011 to 2014), Mr. Chan was appointed as an Independent Non-Executive Director of the Company in August 2002.

Dr. Ouyang Qingru, aged 54, graduated from the Shanghai Second Medical University, is the engineer of the Anesthesiology division of a leading hospital. Working in the Hospital, Dr. Ouyang is familiar with clinical anesthesia and medical equipment application and has immersed experience in the hospital management. Dr. Ouyang was appointed as an Independent Non- Executive Director of the Company in December 2014.

Mr. Leung Kwai Wah Alex, aged 67, is currently a mentor of mentorship program of two universities in Hong Kong. Mr. Leung has 30 years of experiences in banking and financing field. Mr. Leung is a fellow member of Governance Institute of Australia, Hong Kong Institute of Directors, Institute of Chartered Secretaries and Administrators and Hong Kong Securities and Investment Institute. Mr. Leung is also a member of Hong Kong Treasury Markets Association. Mr. Leung graduated from Hong Kong Baptist College with a business administration major in 1979 and obtained a master's degree in business administration from Illinois State University in USA in 1981. Mr. Leung was appointed as an Independent Non-Executive Director of the Company in June 2016.

Mr. Zhang Jing, aged 64, is currently a director of private equity investment of Oriental Patron Financial Group Limited in Hong Kong. Mr. Zhang has over 22 years of experiences in corporate management. Mr. Zhang served as the general manager of China Security Limited（中國中安保有限公司）. Prior to this, Mr. Zhang was the deputy general manager of Sichuan Jinguang Group（四川金廣集團）. He also served as the director and deputy general manager of collective economic management department of China Yituo Group（中國一拖集團）and the chief financial officer of First Tractor Company Limited. Mr. Zhang obtained a bachelor's degree in industrial accounting from Henan Radio & Television University and a master's degree in management engineering from Jiangsu University. Mr. Zhang was appointed as an Independent Non- Executive Director of the Company in June 2016.

Mr. Wong Pak Wing, aged 30, obtained a bachelor's degree in education from the University of Hong Kong and obtained a master's degree in Communications from School of Journalism and Communication, Peking University. Mr. Wong is one of the founders of Popturn Technology Company Limited (博圖科技有限公司), responsible for software development and internet business from 2016 to 2018. From June 2018 to June 2019, Mr. Wong served as an assistant to director of the Office of the Non-public Economic Work Leading Group in Fangchenggang City, Guangxi Zhuang Autonomous Region, mainly responsible for research and assisting in promoting the development of the non-public economy in Fangchenggang City, Guangxi Zhuang Autonomous Region. In addition, since 2016, Mr. Wong has served as a member of the Youth Committee Beijing Overseas Friendship Association.

Mr. Luo Zhen, aged 68, graduated from Beijing Foreign Studies University, majoring in English, and then obtained a bachelor's degree in political science from Brigham Young University — Hawaii Campus in the United States and a master's degree in real estate from New York University. Mr. Luo has extensive work experience and knowledge. He served as the general manager of Huarong Group in the United States and the executive vice president of the US-China Association for Promotion of Economy and Trade. Mr. Luo also served as the director of customer development department in the Greater China Region of CBRE, and worked as the general manager of Savills Valuation and Professional Services Limited and the general manager of Savills Real Estate Valuation (Beijing) Company Limited.

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in property development and investment in the PRC which has not been changed during the year. Details of the principal activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 and the Group's financial position at that date are set out in the consolidated financial statements on pages 46 to 49.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 39(b) to the consolidated financial statements and the consolidated statement of changes in equity respectively.

BUSINESS REVIEW

The Group recorded a turnover of approximately HK$46,794,000 and recorded a loss after tax of approximately HK$33,788,000 for the year. Details of which, are set out in the paragraph headed "Management Discussion and Analysis" on pages 7 to 9.

SHARE CAPITAL

Details of the movement of share capital of the Company are set out in note 37 to the consolidated financial statement.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of special reserve and share premium less accumulated losses. Under the Companies Law of the Cayman Islands, the special reserve and share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2020, the Company's reserves available for distribution are as follows: (2019: HK$336,450,000)

	HK$'000
Share premium account	585,888
Special reserve	306,450
Accumulated losses	(507,020)
	385,318

DIRECTORS

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

Executive Directors

Mr. Han Junran *(Chairman)*
Mr. Luo Min

Independent Non-Executive Directors

Mr. Chan Yiu Tung, Anthony
Dr. Ouyang Qingru
Mr. Zhang Jing
Mr. Leung Kwai Wah Alex
Mr. Wong Pak Wing
Mr. Luo Zhen (appointed on 4 May 2020)

In accordance with the Articles of Association, Mr. Luo Min, Mr. Chan Yin Tung Anthony and Dr. Ouyang Qingru shall retire from office and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

The Company has received annual confirmations of independence from each of the Independent Non-Executive Director of the Company and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Han Junrun, the Chairman and Executive Director, has entered into a service agreement with the Company commencing 16 December 2002 for a period of three years and continuing thereafter until his Directorship is terminated.

Mr. Luo Min, the Executive Director has entered into a service agreement with the Company for a period of one year commencing 1 March 2012 and continuing thereafter on a yearly basis until terminated by either party giving to the other not less than six months' notice.

The term of Independent Non-Executive Directors is from the date they were last elected to the date of their retirement by rotation in accordance with the Company's Articles of Association.

Apart from the above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2020, the interests and short positions of the Directors and Chief Executive of the Company 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the Chief Executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long position in the shares and underlying shares of the Company

Name of Director	Capacity/nature of interests	Number of shares and underlying shares held	Approximate %* of shareholding
Han Junran	Interest of controlled corporation	1,886,662,752[(1)]	43.60
	Beneficial owner	391,000,000	9.04

Note:

(1) Junyi Investments Limited (a company wholly-owned by Mr. Han Junran) held 1,886,662,752 shares of the Company, representing 43.60% of the issued share capital. For the purposes of the SFO, Mr. Han Junran was deemed to be interested in the 1,886,662,752 shares of the Company held by Junyi Investments Limited.

* The percentage represents the number of shares of the Company divided by the number of the Company's issued shares as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors or Chief Executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was 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 pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as the related party transactions and connected transaction disclosed in note 41 to the consolidated financial statements, there were no contract of significance to which the Company, its holding companies and any of its subsidiaries, was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 14 June 2002 which will remain in force for a period of 10 years from the date of adoption. The share option scheme expired on 14 June 2012.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouse or children under the age of 18, had any rights to subscribe for the securities of the Company, or exercised any such rights.

MANAGEMENT CONTRACTS

Save as disclosed above, no contract of significance had been entered into between the Company or any of the subsidiaries and the controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or Chief Executive of the Company, as at 31 December 2020, other than the interests and short positions of the Directors or Chief Executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long position in the shares of the Company

Name	Capacity	Number of shares and underlying shares held	Approximate %* of shareholding
Junyi Investments Limited	Beneficial owner	1,886,662,752[(1)]	43.60
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP)	Person having a security interest	2,277,662,752[(2)]	52.64
Zhongtai International Asset Management Limited	Investment manager	2,277,662,752[(2)]	52.64
Zhang Xiaomu	Beneficial owner	712,328,767	16.46

Notes:

(1) Junyi Investments Limited, a company incorporated with limited liability in the British Virgin Islands, is wholly-owned by Mr. Han Junran who is an Executive Director of the Company.

(2) The security interest of the 2,277,662,752 shares of the Company is held by Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP), an investment fund managed by Zhongtai International Asset Management Limited.

(3) The information disclosed is based on the disclosure of interest notices filed by these substantial shareholders of the Company respectively.

* The percentage represents the number of shares of the Company divided by the number of the Company's issued shares as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, there was no other person (other than the Directors or Chief Executive of the Company) 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.

CONTINUING CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

For the year ended 31 December 2020, the Group has the following continuing connected transactions which are exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules:

On 31 May 2016, new tenancy agreements (the "New Tenancy Agreements") were respectively entered into (i) between New Rank Services Limited (a wholly-owned subsidiary of the Company) as tenant and Winrich Investments Limited as landlord for leasing of the office premises; (ii) between New Rank Services Limited as tenant and Goldrich Investments Limited as landlord for leasing of the office premises; and (iii) between New Rank Services Limited as tenant and Jiacheng Jiaxin International Property Management (Hong Kong) Limited as landlord for leasing of the staff quarter and car parking space. The New Tenancy Agreements are for a term of two years commencing from 1 June 2016. All of Winrich Investments Limited, Goldrich Investments Limited and Jiacheng Jiaxin International Property Management (Hong Kong) Limited are companies indirectly wholly-owned by an associate of a connected person of the Company, and therefore the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As announced by the Company on 30 May 2014, the aggregate Annual Caps for the New Tenancy Agreements, the consideration for the Tenancy Agreements on an annual basis falls within the threshold prescribed in Rule 14A.34 of the Listing Rules. The entering into of the New Tenancy Agreements is therefore subject to the reporting and announcement requirements and annual review requirements under Chapter 14A of the Listing Rules and is exempt from the requirement to obtain independent Shareholders' approval.

The Independent Non-Executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

1. in the normal and usual course of the Group's business;

2. on normal commercial terms; and

3. have been carried out in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditors of the Company have reviewed the above continuing connected transactions and provided a letter to the Company confirming that the above continuing connected transactions:

1. have received the approval of the Board;

2. have been entered into in accordance with the relevant agreements governing the transactions; and

3. have not exceeded the annual caps as disclosed in the Company's announcements dated 30 May 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

MAJOR SUPPLIERS

There is no property development project during the year and therefore no purchase payment was paid or payable to suppliers by the Group during the year ended 31 December 2020.

MAJOR CUSTOMER

The Group has no major customers during the year under review.

ENVIRONMENTAL PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

Details of which, are set out in the paragraph headed "Management Discussion and Analysis" on page 7 to 9.

AUDITORS

The consolidated financial statements for the years ended 31 December 2015 and 2016 have been audited by Ascenda Cachet CPA Limited. The consolidated financial statements for the years ended 31 December 2017 and 2018 have been audited by World Link CPA Limited. The consolidated financial statements for the year end 31 December 2019 and 2020 have been audited by McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods") respectively , who retire and a resolution will be submitted to the annual general meeting of the Company to re-appoint the auditors McMillan Woods.

On behalf of the Board

Han Junran
Chairman

31 March 2021, Hong Kong

McMillanWoods
Professionalism at the forefront

To the shareholders of New City Development Group Limited
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of New City Development Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 131, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. The key audit matters we identified are:

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value of the investment properties — Guangzhou Properties	
Reference is made to notes 4 and 5 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and note 20(a) to the consolidated financial statements for further information. Included in the carrying amount of the Group's investment properties of approximately HK$848,373,000 were properties located in Guangzhou (the "Guangzhou Properties") of approximately HK$774,735,000 which were stated at fair value as at 31 December 2020. For the purpose of assessing the fair value of the Guangzhou Properties, the management determined the fair value of the Guangzhou Properties by income approach based on external evidence such as current market rents for similar properties in the same location and condition, and a suitable discount rate in order to calculate the present value. The management also engaged an independent professional valuer to assist in assessing the fair value of the Guangzhou Properties.	Our procedures in relation to management's assessment of the fair value of the Guangzhou Properties included: — Assessing the design and implementation of key controls in respect of the valuation of the Guangzhou Properties; — Engaging a valuation specialist to assist us to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model and the market data used on a sample basis; — Assessing the assumptions used in the valuation of the Guangzhou Properties and recalculating the fair value of Guangzhou Properties; — Directly communicating with and challenging the independent professional valuer on the methodology and assumptions used in the valuation of the Guangzhou Properties and assessing on their competence, independence and integrity by considering the professional qualifications and market standing as valuer of investment properties; and — Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of the investment properties — Luoyang Properties	
Reference is made to notes 4 and 5 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and notes 20(b) to the consolidated financial statements for further information. Included in the carrying amount of the Group's investment properties of approximately HK$848,373,000 were properties under development in Luoyang (the "Luoyang Properties") with an amount of approximately HK$73,638,000 which were stated at cost less accumulated impairment losses, if any, as at 31 December 2020. As detailed in note 20(b) to the consolidated financial statements, the construction of the Luoyang Properties has not been complied (the "Non-Compliance") with a condition of the land use right agreement to commence and complete the construction on or before 1 September 2013 and 1 September 2016, respectively. The directors have sought a legal advice on the Non-Compliance from a lawyer and are of the opinion that the risk for the penalty or the loss on the forfeiture of the land use right is remote. For the purpose of assessing the recoverable amount of the Luoyang Properties, the management determined the recoverable amount of the Luoyang Properties by direct comparison method based on market observable transactions of similar properties without any significant adjustments. The management also engaged an independent professional valuer to assist in assessing the valuation and was of the opinion that the recoverable amount of the Luoyang Properties was higher than its carrying amount as at 31 December 2020.	Our procedures in relation to management's assessment of the recoverable amount of the Luoyang Properties included: — Reviewing the correspondences between the government and the Group for the Non-Compliance of the Luoyang Properties; — Discussing with the management on matters leading to the Non-Compliance of the Luoyang Properties and recent status of their future development plan; — Reviewing the legal advice regarding the legal and financial consequence arising from the Non-Compliance of the Luoyang Properties; — Engaging a valuation specialist to assist us to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model and the market data used on a sample basis; — Assessing the assumptions used in the valuation of the Luoyang Properties and recalculating their recoverable amount; — Directly communicating with and challenging the independent professional valuer on the methodology and assumptions used in the valuation of the Luoyang Properties and assessing on their competence, independence and integrity by considering the professional qualifications and market standing as valuer of investment properties; and — Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of the properties under development and held for sale — Zhuhai Properties	
Reference is made to notes 4 and 5 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and notes 20(c) and 28 to the consolidated financial statements for further information. The properties located in Zhuhai (the "Zhuhai Properties") were transferred to properties under development and held for sale as the development were commenced during the year ended 31 December 2020, which were stated at cost of approximately HK$401,264,000. For the purpose of assessing the net realisable value of the Zhuhai Properties, the management determined the net realisable value of the Zhuhai Properties by direct comparison method based on market observable transactions of similar properties without any significant adjustments. The management also engaged an independent professional valuer to assist in assessing the valuation and was of the opinion that the net realisable value of the Zhuhai Properties was higher than its carrying amount as at 31 December 2020.	Our procedures in relation to management's assessment of the net realisable value of the Zhuhai Properties included: — Engaging a valuation specialist to assist us to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model and the market data used on a sample basis; — Assessing the assumptions used in the valuation of the Zhuhai Properties and recalculating their net realisable value; — Directly communicating with and challenging the independent professional valuer on the methodology and assumptions used in the valuation of the Zhuhai Properties and assessing on their competence, independence and integrity by considering the professional qualifications and market standing as valuer of properties; and — Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability and impairment assessment for the deposits and other receivables	
Reference is made to notes 4 and 5 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates and note 26 to the consolidated financial statements for further information. The carrying amount of the Group's deposits and other receivables was approximately HK$171,987,000 as at 31 December 2020. The recoverability as well as impairment of deposits and other receivables is estimated by the management through the application of judgement and estimation. The Group's policy for recognition of impairment loss for expected credit losses ("ECL") on deposits and other receivables is based on the credit risk of deposits and other receivables. A considerable amount of judgement is required in assessing the recoverability of these deposits and other receivables.	Our procedures in relation to management's assessment of the recoverability of the deposits and other receivables included: — Obtaining an understanding of how management estimated the recoverability of deposits and other receivables and evaluating the design, implementation and operating effectiveness of key internal controls over credit control; — Assessing whether there is significant increase in credit risks; — Assessing the reasonableness of the Group's ECL models by examining the model input used by management to form such judgements and assessing whether there was an indication of management bias when recognising allowance for deposits and other receivables; — Recalculating the amount of the impairment on deposits and other receivables and assessing the appropriateness and adequacy of the impairment as at 31 December 2020; — Inspecting the settlements after the financial year end relating to the deposits and other receivables as at 31 December 2020; and — Reviewing the appropriateness of the disclosure in the consolidated financial statements.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of 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 DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

- 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, 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.

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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Hui Chi Kong
Audit Engagement Director
Practising Certificate Number–P07348

3/F., Winbase Centre
208 Queen's Road Central
Hong Kong

Hong Kong
31 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	9	**46,794**	48,494
Cost of goods sold and services provided		**(2,960)**	(7,344)
Gross profit		**43,834**	41,150
Other income	10	**11,081**	6,624
Other gains and losses	11	**2,400**	13,084
Administrative and other operating expenses		**(39,157)**	(37,676)
Impairment losses for deposits and other receivables		**(21,629)**	(400)
(Loss)/profit from operations		**(3,471)**	22,782
Finance costs	12	**(30,306)**	(26,410)
Loss before tax		**(33,777)**	(3,628)
Income tax expense	13	**(11)**	(111)
Loss for the year	14	**(33,788)**	(3,739)
Loss for the year attributable to:			
Owners of the Company		**(27,950)**	(1,075)
Non-controlling interests		**(5,838)**	(2,664)
		(33,788)	(3,739)
Loss per share attributable to owners of the Company (HK cents)			
Basic	17	**(0.68)**	(0.03)
Diluted	17	**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Loss for the year	**(33,788)**	(3,739)
Other comprehensive income for the year, net of tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**32,213**	(20,843)
Total comprehensive income for the year	**(1,575)**	(24,582)
Total comprehensive income for the year attributable to:		
Owners of the Company	**3,872**	(17,025)
Non-controlling interests	**(5,447)**	(7,557)
	(1,575)	(24,582)

Consolidated Statement of Financial Position

At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	19	**56,449**	57,750
Investment properties	20	**848,373**	1,130,667
Intangible assets	21	**32,410**	34,643
Right-of-use assets	22	**889**	786
Investments in associates	23	**—**	—
Financial assets at fair value through other comprehensive income ("FVTOCI")	24	**28,253**	28,253
Prepayments, deposits and other receivables	26	**36,616**	90,899
Deferred tax assets	36	**39,723**	39,723
		1,042,713	1,382,721
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")	25	**34,577**	34,557
Inventories	27	**7,660**	7,660
Properties under development and held for sale	28	**401,264**	—
Prepayments, deposits and other receivables	26	**401,800**	122,651
Due from associates	29	**14**	14
Due from a related company	29	**14**	13
Due from non-controlling shareholders	29	**1,082**	557
Cash and bank balances	30	**43,458**	11,175
		889,869	176,627
Current liabilities			
Accruals and other payables	31	**30,442**	36,957
Deposits received		**16,003**	12,817
Borrowings	32	**14,633**	8,232
Lease liabilities	33	**515**	1,020
Due to non-controlling shareholders	29	**3,417**	6,999
Due to related parties	29	**5,867**	7,765
Due to a director	29	**1,708**	1,649
Promissory notes	35	**5,446**	10,500
		78,031	85,939
Net current assets		**811,838**	90,688
Total assets less current liabilities		**1,854,551**	1,473,409

Consolidated Statement of Financial Position

At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Accruals and other payables	31	**315,440**	145,151
Borrowings	32	**514,703**	361,970
Lease liabilities	33	**878**	496
Promissory notes	35	**4,609**	8,100
Deferred tax liabilities	36	**226,884**	216,080
		1,062,514	731,797
Net assets		**792,037**	741,612
Equity			
Equity attributable to owners of the Company			
Share capital	37	**17,309**	14,459
Reserves	38	**753,330**	700,308
		770,639	714,767
Non-controlling interests		**21,398**	26,845
Total equity		**792,037**	741,612

Approved and authorised for issue by the Board of Directors on 31 March 2021.

Mr. Han Junran
Director

Mr. Luo Min
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital	**Share premium *(note 38 (a))***	**Contributed surplus *(note 38 (b))***	**Foreign currency translation reserve *(note 38 (c))***	**Convertible notes reserve *(note 38 (d))***	**Statutory reserve *(note 38 (e))***	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	13,919	492,472	4,755	(38,010)	2,355	18,604	195,247	689,342	(197)	689,145
Acquisition of subsidiaries *(note 44 (a))*	—	—	—	—	—	—	—	—	34,599	34,599
Conversion of convertible notes *(note 34)*	540	44,265	—	—	(2,355)	—	—	42,450	—	42,450
Total comprehensive income for the year	—	—	—	(15,950)	—	—	(1,075)	(17,025)	(7,557)	(24,582)
Changes in equity for the year	540	44,265	—	(15,950)	(2,355)	—	(1,075)	25,425	27,042	52,467
At 31 December 2019 and 1 January 2020	14,459	536,737	4,755	(53,960)	—	18,604	194,172	714,767	26,845	741,612
Issue of shares under general mandate *(note 37(b))*	**2,850**	**49,150**	**—**	**—**	**—**	**—**	**—**	**52,000**	**—**	**52,000**
Total comprehensive income for the year	**—**	**—**	**—**	**31,822**	**—**	**—**	**(27,950)**	**3,872**	**(5,447)**	**(1,575)**
Changes in equity for the year	**2,850**	**49,150**	**—**	**31,822**	**—**	**—**	**(27,950)**	**55,872**	**(5,447)**	**50,425**
At 31 December 2020	**17,309**	**585,887**	**4,755**	**(22,138)**	**—**	**18,604**	**166,222**	**770,639**	**21,398**	**792,037**

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Loss before tax		**(33,777)**	(3,628)
Adjustments for:			
Allowance for doubtful debts		**21,629**	400
Finance costs		**30,306**	26,410
Interest income		**(7,330)**	(6,624)
Dividend income		**(3,751)**	—
Depreciation of property, plant and equipment		**6,880**	6,054
Depreciation of right-of-use assets		**1,050**	1,670
Amortisation of intangible assets		**2,233**	—
Written off of property, plant and equipment		**—**	102
Fair value loss on financial assets at FVTPL		**800**	7,488
Gain on bargain purchase on acquisition of subsidiaries		**—**	(14,838)
Gain on fair value measurement of an associate		**—**	(6,485)
Unrealised foreign exchange gain on financial assets at FVTPL		**(820)**	(89)
Operating profit before working capital changes		**17,220**	10,460
Decrease in inventories		**—**	3,800
Increase in prepayments, deposits and other receivables		**(242,542)**	(44,454)
(Increase)/decrease in amounts due from non-controlling shareholders		**(525)**	382
Increase in amount due from a related company		**(1)**	—
Increase/(decrease) in accruals and other payables		**152,732**	(55,209)
Increase in deposits received		**2,334**	1,317
(Decrease)/increase in amounts due to non-controlling shareholders		**(3,582)**	834
(Decrease)/increase in amounts due to related parties		**(1,898)**	7,184
Increase/(decrease) in amount due to a director		**59**	(31)
Cash used in operations		**(76,203)**	(75,717)
Interest on lease liabilities		**(89)**	(150)
Overseas taxes paid		**(11)**	(111)
Net cash used in operating activities		**(76,303)**	(75,978)
Cash flow from investing activities			
Purchases of property, plant and equipment		**(2,017)**	(2,696)
Payment for investment properties		**(30,955)**	—
Purchase of financial assets at FVTPL		**—**	(4,319)
Proceeds from disposal of financial assets at FVTPL		**—**	86
Acquisition of subsidiaries	*44(a)*	**—**	288
Interest received		**36**	753
Net cash used in investing activities		**(32,936)**	(5,888)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flow from financing activities			
Principal elements of lease payments		**(1,279)**	(4,682)
Proceeds from issue of shares		**52,000**	—
Borrowings raised		**246,548**	65,633
Repayment of borrowings		**(119,597)**	(8,453)
Interest paid		**(39,501)**	(25,579)
Net cash from financing activities		**138,171**	26,919
Net increase/(decrease) in cash and cash equivalents		**28,932**	(54,947)
Effect of foreign exchange rate changes		**3,351**	(6,481)
Cash and cash equivalents at beginning of year		**11,175**	72,603
Cash and cash equivalents at end of year		**43,458**	11,175
Analysis of cash and cash equivalents			
Cash and bank balances	*30*	**43,458**	11,175

1. CORPORATE INFORMATION

New City Development Group Limited (the "Company") was incorporated in the Cayman Islands with limited liabilities on 10 August 1998. The address of its registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The principal place of business in Hong Kong is located at Flat D, 17/F., MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 May 2000.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 22 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 December 2020, Junyi Investments Limited, a company incorporated in the British Virgin Islands (the "BVI") is the immediate and ultimate parent of the Company and Mr. Han Junran ("Mr. Han"), a director of the Company, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

3. ADOPTION OF NEW AND REVISED HKFRSS (Continued)

(a) Application of new and revised HKFRSs (Continued)

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to HKFRS 16 COVID-19-Related Rent Concessions	1June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018—2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

3. ADOPTION OF NEW AND REVISED HKFRSS (Continued)

(b) New and revised HKFRSs in issue but not yet effective (Continued)

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

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain investment properties and financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

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

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination and goodwill (Continued)

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

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates (Continued)

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Translation on consolidation

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

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

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

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Leasehold building	Over the term of the lease
Leasehold improvements	Over the term of the lease
Furniture and fixtures	7–20%
Motor vehicles	20%

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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

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

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

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4.

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases (Continued)

(i) The Group as a lessee (Continued)

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(h).

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

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

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases (Continued)

(ii) The Group as a lessor

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

(h) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 20 years.

Impairment is reviewed annually or when there is any indication that the intangible assets has suffered an impairment loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Cost comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Properties under development and held for sale

Properties for sale under development and held for sale are stated at the lower of cost and net realisable value. Costs include the acquisition cost of interest in leasehold land, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(k) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Recognition and derecognition of financial instruments (Continued)

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

(l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial assets (Continued)

Equity investments

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

(m) Other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(n) Cash and cash equivalents

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

(o) Financial liabilities and equity instruments

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

(p) Borrowings

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Borrowings (Continued)

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

(q) Convertible notes

Convertible notes which entitle the holder to convert the notes into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the notes into equity of the Group, is included in equity as convertible notes reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

(r) Other payables

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

(s) Equity instruments

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

(t) Revenue and other income

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

Revenue from the sale of buses is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue and other income (Continued)

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

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

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

(u) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

(v) Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Borrowing costs (Continued)

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

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

(w) Taxation

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Taxation (Continued)

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

(x) Related parties

For the purposes of these consolidated financial statements, a related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties (Continued)

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

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

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

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

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

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

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

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

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

(y) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount 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. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Impairment of non-financial assets (Continued)

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(z) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and lease receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

— significant financial difficulty of the issuer or the counterparty;

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

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— The disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Impairment of financial assets (Continued)

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Provisions and contingent liabilities

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

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

(ab) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Critical judgements in applying accounting policies (Continued)

(a) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(b) Consolidation of entity with less than 50% equity interest holding

Although the Group owns less than 50% of the equity interest in Peaceful Kingdom Inc., a company acquired by the Group during the year. However, Peaceful Kingdom Inc. is treated as a subsidiary as the management is of the view that the Group is able to control the financial and operational activities of Peaceful Kingdom Inc. by composition of board of directors under which the Group is entitled to appoint three directors out of the five directors of Peaceful Kingdom Inc.

(c) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Critical judgements in applying accounting policies (Continued)

(d) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty

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

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2020 were approximately HK$56,449,000 and HK$889,000 (2019: HK$57,750,000 and HK$786,000) respectively.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(b) Fair value of investment properties

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

The carrying amount of investment properties stated at fair value as at 31 December 2020 was approximately HK$774,735,000 (2019: HK$726,375,000).

(c) Financial implication of regulations of idle land

Under the People's Republic of China ("PRC") laws and regulations, if a property developer fails to commence the development of land within the timeframe designated in the land grant contract, the PRC government may regard the land as idle land and issue a warning or impose a penalty on the developer or reclaim the land. The directors of the Company have sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the properties in Luoyang was due to the changing of land policy by the Luoyang government in the previous years and the risk for the penalty or the loss on the forfeiture is minimal. Accordingly, no provision in respect of the penalty, if any, has been made in the consolidated financial statements.

(d) Fair value of unlisted investments

The unlisted investments of the Group designated as financial assets at FVTOCI have been valued using the market observable data of comparable listed companies adjusted for lack of marketability discount or based on the expected future cash flows discounted at current rates applicable for items with similar terms and risk characteristics. These valuations require the management to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty.

The aggregated fair value of the unlisted investments at 31 December 2020 was approximately HK$28,253,000 (2019: HK$28,253,000).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(e) Impairment of deposits and other receivables

The management of the Group estimates the amount of impairment loss for ECL on deposits and other receivables based on the credit risk of deposits and other receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2020, the carrying amount of deposits and other receivables is approximately HK$144,258,000 (2019: HK$202,354,000) (net of allowance for doubtful debts of approximately HK$27,729,000 (2019: HK$6,100,000).

(f) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment of non-financial assets was made for the year ended 31 December 2020 (2019: Nil).

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, Renminbi ("RMB") or New Taiwan Dollar ("NT$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate of RMB and NT$, with all other variables held constant, of the Group's profit before tax due to changes in the value of monetary assets and liabilities.

	Increase/ (decrease) in exchange rate	**(Increase)/ decrease in loss before tax**
	%	HK$'000
At 31 December 2020		
If the HK$ weakens against RMB	**5**	**3,117**
If the HK$ strengthens against RMB	**(5)**	**(3,117)**
If the HK$ weakens against NT$	**5**	**1,572**
If the HK$ strengthens against NT$	**(5)**	**(1,572)**
At 31 December 2019		
If the HK$ weakens against RMB	5	2,695
If the HK$ strengthens against RMB	(5)	(2,695)
If the HK$ weakens against NT$	5	1,571
If the HK$ strengthens against NT$	(5)	(1,571)

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. Mainly through its equity investment listed on The Taiwan Stock Exchange designated at FVTPL.

The sensitivity analysis below have been determined based on the exposure to price risk at the end of reporting period.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Price risk (Continued)

If equity price had been 10% higher, profit after tax for the year ended 31 December 2020 would increase by approximately HK$3,145,000 (2019: HK$3,143,000). If equity price had been 10% lower, profit after tax for the year ended 31 December 2020 would decrease by approximately HK$3,145,000 (2019: HK$3,143,000).

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

For deposits and other receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the deposits and other receivables has not increased significantly since initial recognition, the Group measures the loss allowance for the deposits and other receivables at an amount equal to 12-month ECL.

The following table provides information about the Group's exposure to credit risk and ECL for deposits and other receivables which has significant increase in the credit risk:

At 31 December 2020	**Expected loss rate %**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	**Carrying amount HK$'000**
Deposits and other receivables	**0%—5%**	**171,987**	**(27,729)**	**144,258**

At 31 December 2019	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Carrying amount HK$'000
Deposits and other receivables	0%—5%	208,454	(6,100)	202,354

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

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

Amounts due from associates, a related company and non-controlling shareholders are closely monitored by the directors.

The Group's investments at FVTOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month ECL. The instruments are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(d) Interest rate risk

The Group's promissory notes and convertible notes bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank borrowings. The bank borrowings bear interests at variable rates that vary with the then prevailing market condition.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variable held constant, of the Group's profit before tax.

	Increase/ (decrease) in interest rate	**(Increase)/ decrease in loss before tax**
	%	HK$'000
At 31 December 2020		
If the interest rate increase	**1%**	**(5,293)**
If the interest rate decrease	**(1%)**	**5,293**
At 31 December 2019		
If the interest rate increase	1%	(3,702)
If the interest rate decrease	(1%)	3,702

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk

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

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

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

31 December 2020	**On demand HK$'000**	**Less than 1 year HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Accruals and other payables	**10,432**	**20,010**	**315,440**	**—**	**345,882**
Borrowings	**—**	**55,802**	**436,798**	**194,863**	**687,463**
Lease liabilities	**—**	**570**	**914**	**—**	**1,484**
Promissory notes	**—**	**5,900**	**5,900**	**—**	**11,800**
Due to non-controlling shareholders	**3,417**	**—**	**—**	**—**	**3,417**
Due to related parties	**5,867**	**—**	**—**	**—**	**5,867**
Due to a director	**1,708**	**—**	**—**	**—**	**1,708**

31 December 2019	On demand HK$'000	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Accruals and other payables	9,780	27,177	145,151	—	182,108
Borrowings	—	38,585	244,069	264,165	546,819
Lease liabilities	—	1,066	527	—	1,593
Promissory notes	—	12,000	11,800	—	23,800
Due to non-controlling shareholders	6,999	—	—	—	6,999
Due to related parties	7,765	—	—	—	7,765
Due to a director	1,649	—	—	—	1,649

6. FINANCIAL RISK MANAGEMENT (Continued)

(f) Categories of financial instruments at 31 December 2020

	2020 **HK$'000**	2019 HK$'000
Financial assets:		
Financial assets at FVTPL	**34,577**	34,557
Financial assets at FVTOCI	**28,253**	28,253
Financial assets at amortised cost	**188,826**	214,113
Financial liabilities:		
Financial liabilities at amortised cost	**896,265**	587,323

(g) Fair value

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

(h) Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

6. FINANCIAL RISK MANAGEMENT (Continued)

(h) Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accruals and other payables, deposits received, borrowings, finance lease payables, amounts due to non-controlling shareholders, related parties and a director and convertible notes less cash and bank balances. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of reporting periods were as follows:

	2020 HK$'000	2019 HK$'000
Accruals and other payables	**345,882**	182,108
Borrowings	**529,336**	370,202
Lease liabilities	**1,393**	1,516
Due to non-controlling shareholders	**3,417**	6,999
Due to related parties	**5,867**	7,765
Due to a director	**1,708**	1,649
Promissory notes	**10,055**	18,600
Less: Cash and bank balances	**(43,458)**	(11,175)
Net debt	**854,200**	577,664
Total capital:		
Equity attributable to owners of the Company	**770,639**	714,767
Capital and net debt	**1,624,839**	1,292,431
Gearing ratio	**53%**	45%

7. FAIR VALUE MEASUREMENT

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy:

Description	**Fair value measurements using:**			**Total**
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**2020 HK$'000**
Recurring fair value measurements:				
Investment properties	**—**	**—**	**774,735**	**774,735**
Financial assets at FVTOCI:				
Long term investment	**—**	**—**	**28,253**	**28,253**
Financial assets at FVTPL:				
Listed securities	**31,448**	**—**	**—**	**31,448**
Put option	**—**	**—**	**3,129**	**3,129**
Total	**31,448**	**—**	**806,117**	**837,565**

Description	Fair value measurements using:			Total
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2019 HK$'000
Recurring fair value measurements:				
Investment properties	—	—	726,375	726,375
Financial assets at FVTOCI:				
Long term investment	—	—	28,253	28,253
Financial assets at FVTPL:				
Listed securities	31,428	—	—	31,428
Put option	—	—	3,129	3,129
Total	31,428	—	757,757	789,185

During the year, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil).

7. FAIR VALUE MEASUREMENT (Continued)

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

	Investment properties HK$'000	Call option HK$'000	Long term investment HK$'000	Put option HK$'000	Total HK$'000
1 January 2020	**726,375**	**—**	**28,253**	**3,129**	**757,757**
Exchange differences	**48,360**	**—**	**—**	**—**	**48,360**
31 December 2020	**774,735**	**—**	**28,253**	**3,129**	**806,117**

	Investment properties HK$'000	Call option HK$'000	Long term investment HK$'000	Put option HK$'000	Total HK$'000
1 January 2019	740,090	25	—	—	740,115
Acquisition of an associate	—	(25)	28,253	3,129	31,357
Exchange differences	(13,715)	—	—	—	(13,715)
31 December 2019	726,375	—	28,253	3,129	757,757

The total gains or losses recognised in profit or loss are presented fair value gain/(loss) on investment properties in the consolidated statement of profit or loss and other comprehensive income.

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

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

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

7. FAIR VALUE MEASUREMENT (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (Continued)

The valuation techniques and the Key unobservable input to the Level 3 fair value measurements are set out below:

Description	Fair value HK$'000	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	774,735 (2019: 726,375)	Income Approach	Estimated average rental income (per square metre and per month) RMB72.25 (2019: RMB72.25)	The higher the rental income, the higher the fair value
			Discount rate at 4.75% (2019: 4.5%)	The higher the discount rate, the lower the fair value
Long term investment	28,253 (2019: 28,253)	Discounted cash flow method	Discount rate at 15% (2019: 15%)	The higher the discount rate, the lower the fair value
Put option	3,129 (2019: 3,129)	Black Scholes Model	Risk-free rate at 2.5% (2019: 2.5%)	The higher the risk-free rate, the lower the fair value
			Standard deviation at 40% (2019: 40%)	The higher the standard deviation, the higher the fair value

During the two years, there were no changes in the valuation techniques used.

8. OPERATING SEGMENT INFORMATION

The Group is engaged in property development and investment in PRC and trading of buses. Accordingly, there are two reportable segments to be presented.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those accounting policies of the Group described in note 4 to the consolidated financial statements. Segment profits or losses do not include unallocated other income, administrative and other operating expenses, finance costs and income tax expense. Segment assets do not include unallocated property, plant and equipment, intangible assets, right-of-use assets, investments in associates, financial assets at FVTOCI, financial assets at FVTPL, prepayments, deposits and other receivables, amounts due from associates, a related company and non-controlling shareholders, cash and bank balances and deferred tax assets. Segment liabilities do not include unallocated accruals and other payables, borrowings, finance lease payables, lease liabilities, amounts due to non-controlling shareholders, related parties and a director, convertible notes, promissory notes and deferred tax liabilities.

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

	Property development and investment HK$'000	**Sales of buses HK$'000**	**Total HK$'000**
Year ended 31 December 2020			
Revenue from external customers	**46,794**	**—**	**46,794**
Segment profit	**43,834**	**—**	**43,834**
As at 31 December 2020			
Segment assets	**1,249,637**	**7,660**	**1,257,297**
Segment liabilities	**16,003**	**—**	**16,003**

	Property development and investment HK$'000	Sales of buses HK$'000	Total HK$'000
Year ended 31 December 2019			
Revenue from external customers	44,287	4,207	48,494
Segment profit	40,743	407	41,150
As at 31 December 2019			
Segment assets	1,130,667	7,660	1,138,327
Segment liabilities	12,817	—	12,817

8. OPERATING SEGMENT INFORMATION (Continued)

Reconciliations of segment revenue and profit or loss:

	2020 HK$'000	2019 HK$'000
Profit or loss		
Total profit of reportable segments	**43,834**	41,150
Other income	**11,081**	6,624
Other gains and losses	**2,400**	13,084
Administrative and other operating expenses	**(39,157)**	(37,676)
Impairment losses for deposits and other receivables	**(21,629)**	(400)
Finance costs	**(30,306)**	(26,410)
Consolidated loss before tax	**(33,777)**	(3,628)

Reconciliations of segment assets or liabilities:

	2020 HK$'000	2019 HK$'000
Assets		
Total assets of reportable segments	**1,257,297**	1,138,327
Property, plant and equipment	**56,449**	57,750
Intangible assets	**32,410**	34,643
Right-of-use assets	**889**	786
Investments in associates	**—**	—
Financial assets at FVTOCI	**28,253**	28,253
Financial assets at FVTPL	**34,577**	34,557
Prepayments, deposits and other receivables	**438,416**	213,550
Due from associates	**14**	14
Due from a related company	**14**	13
Due from non-controlling shareholders	**1,082**	557
Cash and bank balances	**43,458**	11,175
Deferred tax assets	**39,723**	39,723
Consolidated total assets	**1,932,582**	1,559,348
Liabilities		
Total liabilities of reportable segments	**16,003**	12,817
Accruals and other payables	**345,882**	182,108
Borrowings	**529,336**	370,202
Lease liabilities	**1,393**	1,516
Due to non-controlling shareholders	**3,417**	6,999
Due to related parties	**5,867**	7,765
Due to a director	**1,708**	1,649
Promissory notes	**10,055**	18,600
Deferred tax liabilities	**226,884**	216,080
Consolidated total liabilities	**1,140,545**	817,736

8. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from external customers by location of operations are detailed below:

	2020	2019
	HK$'000	HK$'000
Hong Kong	**—**	4,207
PRC	**46,794**	44,287
Consolidated total revenue	**46,794**	48,494

Over 90% of the Group's non-current assets (excluding intangible assets, right-of-use assets, investments in associates, financial assets at FVTOCI, prepayments, deposits and other receivables and deferred tax assets) are located in the PRC. Accordingly, no further geographical information of non-current assets was disclosed.

Revenue from major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the year ended 31 December 2020 (2019: nil).

9. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2020	2019
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Products transferred at a point in time:		
Sales of buses	**—**	4,207
Revenue from other sources:		
Rental income and related management service income	**46,794**	44,287
	46,794	48,494

10. OTHER INCOME

	2020	2019
	HK$'000	HK$'000
Dividend income	**3,751**	—
Interest income	**7,330**	6,624
	11,081	6,624

11. OTHER GAINS AND LOSSES

	2020	2019
	HK$'000	HK$'000
Net foreign exchange gains/(losses)	**3,200**	(751)
Fair value loss on financial assets at FVTPL	**(800)**	(7,488)
Gain on bargain purchases on acquisition of subsidiaries	**—**	14,838
Gain on fair value measurement of an associate	**—**	6,485
	2,400	13,084

12. FINANCE COSTS

	2020 **HK$'000**	2019 HK$'000
Interest on bank borrowings	**39,501**	25,579
Interest on convertibles notes	**—**	681
Interest on lease liabilities	**89**	150
Interest on promissory notes	**3,455**	—
Total borrowing costs	**43,045**	26,410
Amount capitalised	**(12,739)**	—
	30,306	26,410

The weighted average capitalization rate on funds borrowed generally is at a rate of 8.08% per annum (2019: nil).

13. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2020 **HK$'000**	2019 HK$'000
Current tax — PRC Enterprise Income Tax		
Under-provision in prior years	**11**	111
	11	111
Deferred tax	**—**	—
	11	111

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit derived from Hong Kong for the year.

PRC Enterprise Income Tax has been provided at a rate of 25% (2019: 25%).

13. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to effective tax rates, is as follows:

	2020 **HK$'000**	2019 HK$'000
Loss before tax	**(33,777)**	(3,628)
Tax at applicable tax rate	**(7,602)**	278
Tax effect of income that is not taxable	**(2,008)**	(3,280)
Tax effect of expenses that are not deductible	**10,328**	5,415
Tax effect of temporary differences not recognised	**(1,592)**	(2,696)
Tax effect of tax losses not recognised	**874**	283
Under-provision in prior years	**11**	111
Income tax expense	**11**	111

14. LOSS FOR THE YEAR

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

	2020 **HK$'000**	2019 HK$'000
Allowance for doubtful debts	**21,629**	400
Auditor's remuneration	**700**	700
Cost of goods sold and services provided	**2,960**	7,344
Depreciation of property, plant and equipment	**6,880**	6,054
Depreciation of right-of-use assets	**1,050**	1,670
Amortisation of intangible assets	**2,233**	—
Written off of property, plant and equipment	**—**	102
Expenses relating to short-term lease *(note)*	**1,524**	—
Net foreign exchange losses	**(3,200)**	751
Fair value loss on financial assets at FVTPL	**800**	7,488
Staff cost (including directors' remuneration)		
— Salaries, bonuses and allowances	**11,568**	11,721
— Contributions to defined contribution retirement plan	**478**	671
	12,046	12,392

Note:

Minimum lease payments under operating leases on land and buildings included rental for a director quarter of approximately HK$364,000 for the year ended 31 December 2020.

15. BENEFITS AND INTERESTS OF DIRECTORS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, Sections 383(1)(a), (b), (c), (e) 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:

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance are as follows:

	2020 HK$'000	2019 HK$'000
Fees	**1,358**	1,073
Other emoluments		
salaries, wages and other benefits	**2,141**	2,036
contributions to defined contribution retirement plan	**36**	36
	2,177	2,072
	3,535	3,145

31 December 2020	**Fees HK$'000**	**Salaries, allowance and benefits in kind HK$'000**	**Pension scheme contribution HK$'000**	**Total HK$'000**
Executive directors				
Mr. Han Junran	—	**1,300**	**18**	**1,318**
Mr. Luo Min	—	**841**	**18**	**859**
	—	**2,141**	**36**	**2,177**
Independent non-executive directors				
Mr. Chan Yiu Tung, Anthony	**240**	—	—	**240**
Dr. Ouyang Qingru	**240**	—	—	**240**
Mr. Leung Kwai Wah, Alex	**240**	—	—	**240**
Mr. Zhang Jing	**240**	—	—	**240**
Mr. Wong Pak Wing	**240**	—	—	**240**
Mr. Luo Zhen *(note (i))*	**158**	—	—	**158**
	1,358	—	—	**1,358**
	1,358	**2,141**	**36**	**3,535**

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

31 December 2019	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Executive directors				
Mr. Han Junran	—	1,300	18	1,318
Mr. Luo Min	—	736	18	754
	—	2,036	36	2,072
Independent non-executive directors				
Mr. Chan Yiu Tung, Anthony	240	—	—	240
Mr. Zheng Qing	14	—	—	14
Dr. Ouyang Qingru	240	—	—	240
Mr. Leung Kwai Wah, Alex	240	—	—	240
Mr. Zhang Jing	240	—	—	240
Mr. Wong Pak Wing	99	—	—	99
	1,073	—	—	1,073
	1,073	2,036	36	3,145

Note:

(i) Mr. Luo Zhen was appointed as an independent non-executive director with effect from 4 May 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: HK$Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2019: Nil).

There was no discretionary bonus paid or payable to any of the directors during the year (2019: Nil).

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The number of directors, whose remuneration fell within the following bands, is as follows:

	2020	2019
Nil to HK$1,000,000	**7**	7
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**—**	—
	8	8

(b) Directors' material interests in transactions, arrangements or contracts

Save for disclosed in note 41 to the consolidated financial statements, no significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2019: two) directors, details of whose remuneration are set out in note 14 above. Details of the remuneration of the remaining three (2019: three) non-director, highest paid employees for the year are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,470**	2,470
Pension scheme contributions	**54**	54
	2,524	2,524

During the year, no emoluments have been paid to these individuals as an inducement to join or upon joining the Group; or as compensation for loss of office (2019: Nil).

There was no discretionary bonus paid or payable to any of the five highest paid employees during the year (2019: Nil).

16. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	2020	2019
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

17. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculation of basic loss per share is based on:

	2020 **HK$'000**	2019 HK$'000
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	**(27,950)**	(1,075)

	Number of shares	
	2020	2019
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**4,083,882,881**	3,580,808,340

No diluted loss per share is presented as there were no potentially dilutive ordinary shares in issue as at 31 December 2020 and 2019.

18. DIVIDENDS

The directors did not recommend any dividend for the year ended 31 December 2020 (2019: Nil).

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost						
At 1 January 2019	1,011	46,331	1,728	3,302	19,687	72,059
Additions	—	—	—	32	2,664	2,696
Acquisition of subsidiaries	—	—	1	—	—	1
Write off	—	(133)	—	(15)	—	(148)
Exchange differences	(19)	(830)	(22)	(22)	(403)	(1,296)
At 31 December 2019 and 1 January 2020	992	45,368	1,707	3,297	21,948	73,312
Additions	**—**	**2,004**	**13**	**—**	**—**	**2,017**
Transfer	**—**	**22,098**	**—**	**—**	**(22,098)**	**—**
Exchange differences	**66**	**4,356**	**64**	**81**	**150**	**4,717**
At 31 December 2020	**1,058**	**73,826**	**1,784**	**3,378**	**—**	**80,046**
Accumulated depreciation						
At 1 January 2019	250	6,895	1,168	1,450	—	9,763
Charge for the year	20	5,053	527	454	—	6,054
Write off	—	(44)	—	(2)	—	(46)
Exchange differences	(5)	(173)	(20)	(11)	—	(209)
At 31 December 2019 and 1 January 2020	265	11,731	1,675	1,891	—	15,562
Charge for the year	**20**	**6,385**	**21**	**454**	**—**	**6,880**
Exchange differences	**19**	**1,004**	**76**	**56**	**—**	**1,155**
At 31 December 2020	**304**	**19,120**	**1,772**	**2,401**	**—**	**23,597**
Carrying amount						
At 31 December 2020	**754**	**54,706**	**12**	**977**	**—**	**56,449**
At 31 December 2019	727	33,637	32	1,406	21,948	57,750

20. INVESTMENT PROPERTIES

	Properties at fair value		Properties at cost		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Completed project						
Investment properties in Guangzhou *(note (a))*						
At 1 January	**726,375**	740,090	**—**	—	**726,375**	740,090
Exchange differences	**48,360**	(13,715)	**—**	—	**48,360**	(13,715)
At 31 December	**774,735**	726,375	**—**	—	**774,735**	726,375
Incomplete project						
Investment properties in Luoyang *(note (b)) and Zhuhai (note (c))*						
At 1 January	**—**	—	**404,292**	70,346	**404,292**	70,346
Acquisition of a subsidiary	**—**	—	**—**	339,750	**—**	339,750
Additions	**—**	—	**43,694**	—	**43,694**	—
Transferred to inventories	**—**	—	**(401,264)**	—	**(401,264)**	—
Exchange differences	**—**	—	**26,916**	(5,804)	**26,916**	(5,804)
At 31 December	**—**	—	**73,638**	404,292	**73,638**	404,292
Total carrying amount at 31 December	**774,735**	726,375	**73,638**	404,292	**848,373**	1,130,667

Notes:

(a) Investment properties in Guangzhou (the "Guangzhou Properties") are situated at Nos. 20-22 Chigang West Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC and are held under medium term leases. The Guangzhou Properties were leased to tenants under operating leases for earning rental income and management service income and were stated at fair value at the end of the reporting period.

The fair value of the Guangzhou Properties has been assessed by Ravia Global Appraisal Advisory Limited ("Ravia Global"), an independent valuer, by using the income approach to be RMB650,000,000 (equivalent to approximately HK$774,735,000) (2019: RMB650,000,000 (equivalent to approximately HK$726,375,000)) as at 31 December 2020.

At 31 December 2020, the Guangzhou Properties with carrying amount of approximately HK$774,735,000 (2019: HK$726,375,000) were pledged to secure bank borrowings, details of which are set out in note 32 to the consolidated financial statements.

20. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) Investment properties in Luoyang (the "Luoyang Properties") represented the construction in progress of a parcel of land which are situated at east of Huanhu Road, south of Baita Road, west of Kaituodadao Road, and north of land boundary, Yibin District, Xinqu Luoyang, Henan, PRC. The Luoyang Properties were acquired through the acquisition of the subsidiaries during the year ended 31 December 2015. The Luoyang Properties comprise a parcel of land held under medium term leases with a site area of 69,942.185 square metres which can be developed into a total gross floor area of 173,724.12 square metres. Its carrying amount comprised the land use right and directly attributable costs and was stated at acquisition cost of approximately RMB61,782,000 (equivalent to approximately HK$73,638,000 (2019: HK$69,042,000)), and less impairment, if any. The directors are of opinion that the construction planning of the Luoyang Properties has yet been determined as at 31 December 2020 and accordingly, its fair value cannot be measured reliably.

Pursuant to a land use right agreement (國有建設用地使用權出讓合同) (the "Land Use Right Agreement") of the Luoyang Properties, which was entered into between Luoyang Wan Heng Property Company Limited (洛陽萬亨置業有限公司) ("Luoyang Wan Heng"), a subsidiary of the Company and 洛陽國土資源局 ("洛陽國土局") on 1 February 2013, Luoyang Wan Heng is required to commence and complete the construction of the Luoyang Properties on or before 1 September 2013 and 1 September 2016 (the "Construction Period"), respectively. A penalty (the "Penalty") is calculated at 0.1% per day on the original consideration paid by Luoyang Wan Heng for the land use right, which was approximately RMB31,270,000 (equivalent to approximately HK$37,271,000), will be imposed by 洛陽國土局 if the construction of the Luoyang Properties was not commenced on time or the completion of the construction falls beyond the Construction Period. The land use right may also be forfeited (the "Forfeiture") by 洛陽國土局 if the construction has not been completed beyond 60 days of the Construction Period.

On 17 November 2016, the Group received a notice from 洛陽市城鄉一體化示範區管理委員會國土環保局, pursuant to which, the Group is required to commence the construction of the Luoyang Properties within 15 days after the date of the notice unless the Group has a reasonable excuse. The Group replied and expected to have the construction work commenced in June 2017. On 26 June 2017, the Group received a 閒置土地調查通知書 (the "Notice of Investigation of Idle Land") from 洛陽國土局, pursuant to which, the Group is required to report the construction progress of the Luoyang Properties to 洛陽國土局. On 26 July 2017, the Group replied and explained that the delay of the construction of the Luoyang Properties was due to the changing of land policy by the Luoyang government. The Group expected to commence work at the end of 2017. On 5 December 2017, the Group submitted a construction plan of the Luoyang Properties to 洛陽市城鄉規劃局 ("洛陽規劃局"). After reviewed by 洛陽規劃局, the Group was instructed to modify certain aspects of the construction plan. On 23 June 2018, the Group has been further instructed by 洛陽新區中央商務區規劃建設辦公室 to submit a revised construction plan to 洛陽市城鄉一體化示範區商務中心區辦公室 for approval and the document was submitted on 17 July 2018.

In preparing these consolidated financial statements, the directors had sought a legal advice from a PRC lawyer and are of the opinion that the delay of the construction of the Luoyang Properties was caused by the changing of land policy by the Luoyang government in the prior years. Given the Group is proactively communicating with 洛陽規劃局 on the modification of construction plan of the Luoyang Properties and the risk of the Penalty or the loss on the Forfeiture is remote. Accordingly, the directors are of the opinion that no provision in respect of the Penalty and/or the Forfeiture, if any, has been made in the consolidated financial statements as at 31 December 2020 and 2019.

At 31 December 2020, the Luoyang Properties with carrying amount of approximately HK$73,638,000 (2019: HK$69,042,000) were pledged to secure bank borrowings, details of which are set out in note 32 to the consolidated financial statements.

20. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) (Continued)

Impairment assessment of the Luoyang Properties

The recoverable amount of the Luoyang Properties has been assessed by Ravia Global, as at 31 December 2020 and 2019. The recoverable amount is assessed based on fair value less costs of disposal by using direct comparison approach under level 3 fair value measurement. The key assumptions are accommodation value and discount of bulk purchasing and location difference of both lands. No impairment in respect of the Luoyang Properties has been provided as the recoverable amount of the Luoyang Properties was higher than its carrying amount as at 31 December 2020 (2019: Nil).

(c) Investment properties in Zhuhai (the "Zhuhai Properties") represented the construction in progress of a parcel of land which are situated at the south side of Jindao Road, the west side of Hongyang Road, Sanzao, Jinwan District, Zhuhai City, Guangdong Province the PRC. The Zhuhai Properties were acquired through the acquisition of a subsidiary during the year ended 31 December 2019. The Zhuhai Properties comprise a parcel of land held under medium term leases with a site area of 11,956.46 square metres under State-owned Land Use Rights Certificate (國有土地使用證). Its carrying amount comprised the land use right and directly attributable costs and was stated at cost of approximately RMB300,000,000 (equivalent to approximately HK$335,250,000), and less impairment, if any.

The Zhuhai Properties were transferred to properties under development and held for sale as the development were commenced during the year ended 31 December 2020, which are stated at cost with approximately HK$401,264,000, details of which are set out in note 28 to the consolidated financial statements.

At 31 December 2019, the Zhuhai Properties with carrying amount of approximately HK$335,250,000 were pledged to secure bank borrowings, details of which are set out in note 32 to the consolidated financial statements.

Impairment assessment of the Zhuhai Properties

The recoverable amount of the Zhuhai Properties has been assessed by Ravia Global, as at 31 December 2019. The recoverable amount is assessed based on fair value less costs of disposal by using direct comparison approach under level 3 fair value measurement. The key assumptions are accommodation value and discount of bulk purchasing and location difference of both lands. No impairment in respect of the Zhuhai Properties has been provided as the recoverable amount of the Zhuhai Properties was higher than its carrying amount as at 31 December 2019.

21. INTANGIBLE ASSETS

	Intellectual property rights HK$'000
Cost	
Additions	34,643
At 31 December 2019, 1 January 2020 and 31 December 2020	34,643
Accumulated amortization and impairment loss	
Amortisation for the year	2,233
At 31 December 2020	**2,233**
Carrying amount	
At 31 December 2020	**32,410**
At 31 December 2019	34,643

The royalties represents the exclusive license of certain intellectual properties rights and the operation of a chain supermarket in the PRC under the brand name of 益百家 (YBJ) for 10 years. During the year ended 31 December 2020, the operation period is extended to 20 years.

The remaining amortisation period of the royalties are 19 years (2019: 10 years).

Impairment assessment of the intellectual properties rights

The Group carried out reviews of the recoverable amount of the intellectual properties rights during the year ended 31 December 2020, having regarding to the market conditions and business plan of the Group. The recoverable amount of the intellectual properties rights has been assessed by Ravia Global, as at 31 December 2020 and 2019. The recoverable amount is assessed based on fair value less costs of disposal by using income approach under level 3 fair value measurement. The key assumptions are expected revenue and discount rate and the discount rate is 12.5% (2019: 12.5%). No impairment in respect of the intellectual properties rights has been provided as the recoverable amount of the intellectual properties rights was higher than its carrying amount as at 31 December 2020 (2019: Nil).

22. RIGHT-OF-USE ASSETS

	2020 **HK$'000**	2019 HK$'000
At 1 January	**786**	2,654
Additions	**1,103**	—
Depreciation	**(1,050)**	(1,670)
Written off	**—**	(195)
Exchange differences	**50**	(3)
At 31 December	**889**	786

	2020 **HK$'000**	2019 HK$'000
Depreciation	**1050**	1,670
Interest expense on lease liabilities	**89**	150
Expenses relating to short-term lease	**1,524**	—

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 to 7 years.

23. INVESTMENTS IN ASSOCIATES

	2020 **HK$'000**	2019 HK$'000
Unlisted investments:		
Share of net assets	**—**	—

Details of the Group's associates are as follows:

Name	**Place of incorporation**	**Issued and paid up capital**	**Percentage of ownership interest**	**Principal activities**
New City Fortune Medicare Group Limited ("New City Fortune Medicare") *(note)*	Hong Kong	HK$100	34% (2019: 34%)	Investment holding

23. INVESTMENTS IN ASSOCIATES (Continued)

Notes:

New City Fortune Medicare was incorporated in Hong Kong on 26 September 2014, with issued share capital of HK$100. The investment cost in an associate has been presented as "-" as a result of rounding as at 31 December 2020. Except for the capital commitment as mentioned in note 43(a) to the consolidated financial statements, the associate did not have any material assets and liabilities as at 31 December 2020 and 2019 and therefore, the Group did not share its net assets during the years ended 31 December 2020 and 2019.

24. FINANCIAL ASSETS AT FVTOCI

	2020	2019
	HK$'000	HK$'000
Unlisted equity investments *(note (a))*	**—**	—
Financial assets at FVTOCI *(note (b))*	**28,253**	28,253
	28,253	28,253

Notes:

(a) The above investments represented 8% equity interest in New City (China) Vocational Education Investments Group Limited ("New City (China)"), with investment cost of HK$8. The investments have been presented as "-" as a result of rounding. The directors are of the opinion that the cost was the best estimate of fair value for the unlisted equity investments with reference to the application guidance of HKFRS 9.

(b) The amount represents the long term investments in particular to hold a license of property management intellectual properties.

The fair value of the financial assets designated at financial assets at FVTOCI is approximately HK$28,253,000 (2019: HK$28,253,000) as at 31 December 2020. The fair value of the financial assets designated at financial assets at FVTOCI has been assessed by Ravia Global by using the discounted cash flow method (Level 3 fair value measurement) as at 31 December 2020. The carrying amount of the financial assets at FVTOCI are denominated in RMB.

25. FINANCIAL ASSETS AT FVTPL

	2020	2019
	HK$'000	HK$'000
Listed equity investment in Taiwan *(note (a))*	**31,448**	31,428
Put Option classified at financial assets at FVTPL *(note (b))*	**3,129**	3,129
Current portion	**34,577**	34,557

25. FINANCIAL ASSETS AT FVTPL (Continued)

Notes:

(a) The fair value of the listed equity investment as at 31 December 2020 was determined based on the quoted market bid prices (Level 1 fair value measurement) available on The Taiwan Stock Exchange.

(b) The amount represents the fair value of Put Option granted by the vendor to the Company in connection with the acquisition of 41% of the equity interest of Peaceful Kingdom Inc. on 31 December 2019.

The fair value of the Put Option classified at financial assets at FVTPL is approximately HK$3,129,000 (2019:HK$3,129,000) as at 31 December 2020. The fair value of the Put Option designated at financial assets at FVTPL has been assessed by Ravia Global by using the Black Scholes Model (Level 3 fair value measurement) as at 31 December 2019.

The carrying amounts of the Group's financial assets at FVTPL are denominated in the following currencies:

	2020 **HK$'000**	2019 HK$'000
NT$	**31,448**	31,428
RMB	**3,129**	3,129
	34,577	34,557

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Prepayments		
— Prepaid for the Luoyang Properties *(note (a))*	**7,506**	2,018
— Prepaid for the Zhuhai Properties *(note (b))*	**236,137**	—
— Others	**30,515**	9,178
Deposits held by		
— Vision Products Limited ("Vision Products") *(note (c))*	**5,980**	5,980
— An independent contractor *(note (c))*	**49,520**	49,520
— 珠海市潤珠商貿有限公司 ("珠海潤珠") *(note (d))*	**—**	39,113
— Others	**992**	992
Other receivables		
— Due from 北京中証房地產開發有限公司 ("北京中証") *(note (e))*	**62,330**	53,901
— Others	**53,165**	58,948
	466,145	219,650
Less: Allowance for doubtful debts	**(27,729)**	(6,100)
	438,416	213,550
Less: Non-current portion	**(36,616)**	(90,899)
Current portion	**401,800**	122,651

Notes:

(a) As at 31 December 2020, an aggregate amount of approximately RMB6,297,000 (equivalent to approximately HK$7,506,000) (2019: RMB1,806,000 (equivalent to approximately HK$2,018,000) has been prepaid by the Group to the construction of Luoyang Properties.

(b) As at 31 December 2020, an aggregate amount of approximately RMB214,898,000 (equivalent to approximately HK$236,137,000) has been prepaid by the Group to the construction of Zhuhai Properties.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) The Group entered into a memorandum of understanding (the "Vision Products MOU") with Vision Products on 20 June 2016, pursuant to which, the Group engaged Vision Products as a consultant to lead a project on the development of cultural business in different brands and icons that the Group believes which would further contribute to the value of the Group. Vision Products has the experience and track records of building up cultural products and design of branded products and icons for various multinationals which are very popular in Europe and other markets worldwide. Pursuant to the Vision Products MOU, the Group has made deposit of approximately HK$5,980,000 (the "Vision Deposit") to Vision Products for its exclusive development for themed business so as to achieve their objective and target, (i) the attraction of family-based target consumer group with exclusive procurement of cultural products; (ii) promotion of different themes to the Group; and (iii) the nurture for people and family-based audience to become aware of our brands, products and the Group.

The Group has further taken this opportunity to leverage the expertise of Vision Products to contribute to the renovation of the Guangzhou Properties for upgrading it with new edge concept and value enhancement in collaboration with 廣州市青年設計師協會 ("GZYDA") in contributing to the design conceptualisation into the improvement of Guangzhou Properties. To ensure the technical, engineering and construction requirement can be performed to express the design conceptualisation created by Vision Products and GZYDA, Vision Products would have to seek qualified engineering company to lead the renovation of the Guangzhou Properties for the Group's final decision and appointment.

However, in order to ensure the Group is having had the financial strength and reserved funding for such appointment of a well-qualified engineering company for the project, Vision Products has requested for a refundable deposit of approximately HK$49,520,000 (the "Escrow Amount") be escrowed for the specific purpose of construction cost involved in the renovation project so these contractors being approached by Vision Products would be comfortable and the necessary funding can be swiftly transferred to the selected contractor to fix the cost of the renovation upon the completion of the formal appointment with the selected contractor. The Group would then have a direct contractual relationship with the selected contractor being appointed.

In order to continue its effort in implementing the theme of "New Day, New Life, New City" ("New Day Project"), and cooperated with the development in the Great Bay Area, the Group has drawn up the business plan in Zhuhai since 2019. On 20 December 2020, the Group entered into a instruction letter of understanding with Vision Products and New Union Engineering Limited ("New Union"), pursuant to which, the Vision Deposit of approximately HK$5,980,000 and the Escrow Amount of approximately HK$49,520,000 would be used in the New Day Project, to develop the New Jindu Plaza (新金都廣場) with Zhuhai Teng Shun, integrating the retail business of YBJ supermarket operation with 珠海市新益商貿有限公司 ("Zhuhai Xin Yi").

As at 31 December 2020 and 2019, the Escrow Amount was held by an independent contractor, New Union as deposit for New Day Project and project development of the Guangzhou Properties, respectively.

(d) On 1 October 2017, Guangdong Changliu Investment Company Limited (廣東暢流投資有限公司) ("Guangdong Changliu"), an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement (the "Cooperation Agreement") with 珠海潤珠, a company established in the PRC and the beneficial owner of 珠海市柏林國際酒店 ("柏林酒店"), pursuant to which Guangdong Changliu has agreed to enter into a cooperation arrangement with 珠海潤珠 for leasing the hotel premises of 柏林酒店, at monthly rental of RMB131,000 (equivalent to approximately HK$156,000 (2019: HK$146,000) for a period of 15 years from 1 October 2017 to 30 September 2032, with a rent-free period of six months from the date of the Cooperation Agreement in return to participate in the financial management function of 柏林酒店 and share 85% of its profits for a period from 1 October 2017 to 30 September 2032 (the "Cooperation"). Under the Cooperation Agreement, Guangdong Changliu is required to invest a fund amounting to RMB35,000,000 (equivalent to approximately HK$41,717,000 (2019: HK$39,113,000) (the "Investment Fund") within 30 days from the date of the Cooperation Agreement, solely for the purposes of renovation, purchases of equipment and facilities for 柏林酒店.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(d) (Continued)

The Cooperation Agreement was subsequently supplemented on 31 December 2019, to further elaborate the nature and function of the Investment Fund and attach additional conditions to the Cooperation. Pursuant to the Cooperation Agreement as supplemented, the parties therein agreed that (i) the amount of Investment Fund made by Guangdong Changliu would be regarded as an earnest money paid for the proposed Cooperation and subject to satisfaction of the conditions precedent including the average occupancy rate of 柏林酒店 would be reached 80% or above during the pilot run period from 1 January 2020 to 31 December 2020 ("Pilot Run Period"); and (ii) the Investment Fund would be repayable upon request together with interest of 8% accrued thereon in the event that the average occupancy rate of 柏林酒店 was below 80% during the Pilot Run Period. During the year ended 31 December 2020, Due to the impact of COVID-19, 潤珠 Group considered that the occupancy rate was difficult to achieve, so it did not apply for an extension with our company. 珠海潤珠潤珠 has already repaid this year with a principal of RMB35,000,000 and an interest of RMB8,400,000. The principal and interest totalled RMB43,400,000.

(e) The amount represented outstanding receivables from 北京中証, a former subsidiary of the Company which was disposed of in 2010) as a result of the following sequence of events.

The Company received a civil summons dated 15 May 2014 from the Higher People's Court of Beijing City (the "Higher Court"), pursuant to which, an application for retrial of a civil court case (the "Litigation") had been filed by 上海復旦光華信息科技股份有限公司 ("上海復旦"). The Litigation was stemmed from a series of civil court proceedings commenced by 上海復旦 in Beijing No. 1 Intermediate People's Court and the other courts in the PRC since 2003 which alleged that 北京中証 had failed to perform its obligation under a sale contract dated 27 June 2002 entered into between 北京中証 and 上海復旦 for selling certain real properties (the "Properties Transactions") in the PRC to 上海復旦 at a consideration of approximately US$1,755,000 (equivalent to approximately HK$13,749,000) (the "Allegation"). The Company became one of defendants as 上海復旦 claimed that Mr. Leung Kwo (梁戈) ("Mr. Leung"), a former director and chairman of the Company, entered into a guarantee agreement (the "Guarantee Agreement") with 上海復旦 on 28 June 2002 for and on behalf of the Company, pursuant to which, the Company acted as a guarantor to guarantee 上海復旦 that 北京中証 should perform its obligation under the Properties Transactions.

In view of the Litigation, the directors of the Company have conducted extensive investigations, in which the directors have (i) inspected all the minutes of the meetings of its board of directors from the date of its incorporation to the end of year 2013 to identify if the Allegation has ever been brought to the attention of the directors; (ii) contacted the key management personnel of 北京中証 for ascertaining the merits of the Allegation; (iii) discussed in their meeting to determine the financial impact of the Litigation and the Allegation; and (iv) sought for legal advices from the lawyers in the Cayman Islands and the PRC (collectively, the "Lawyers") in respect of the Litigation. From such investigations, the Company found that (i) there was no record showing that the Allegation has ever been brought to the attention of the directors and they did not approve and sign the Guarantee Agreement; and (ii) 北京中証 was aware of the Allegation and Litigation, but it has no records in respect of the sales of the Properties Transactions or the receipt of the sales proceeds as alleged in the Litigation.

On 29 July 2015, the Company received, through the Lawyer, the judgment dated 14 May 2015 (the "Judgment") granted by the Higher Court in respect of the Litigation, pursuant to which, the Higher Court overruled its own judgment dated 26 July 2013 and upheld the judgment dated 10 November 2010 granted by Beijing No.1 Intermediate People's Court. The Higher Court ruled that both the Properties Transactions and the Guarantee Agreement were legally effective. The Higher Court also ordered that both the Company and 北京中証 shall be jointly liable to repay to 上海復旦 the sum of RMB14,530,000 (equivalent to approximately HK$17,318,000 (2019: HK$16,237,000)) together with interest accrued thereon from 1 July 2002 up to the date of payment (collectively, the "Judgment Debt") (which was preliminarily estimated by the directors to be approximately RMB27,660,000 (equivalent to approximately HK$32,968,000 (2019: HK$30,910,000)).

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(e) (Continued)

On 30 November 2015, the Company entered into a subscription agreement (the "Subscription Agreement") with Mr. Zhu Ya Yong (朱亞勇) (the "Subscriber"), pursuant to which, the Subscriber agreed to negotiate with 上海復旦 for the entering into a debt settlement agreement between the Company, 上海復旦 and the Subscriber. It was intended that upon the completion of the debt settlement agreement, (i) the Company's obligation to repay the Judgement Debt will be assumed or satisfied by the Subscriber; and (ii) the Company will be indebted to the Subscriber for a sum of HK$33,606,830 which will be satisfied by way of the issuing of 136,060,042 shares of the Company at a subscription price of HK$0.247 per share.

Subsequently, 北京億隆悦泰投資有限公司 ("北京億隆"), a related company of the Subscriber) was nominated by the Subscriber for the negotiation with 上海復旦 and reached a settlement of the Judgment Debt at an aggregate amount of RMB27,000,000 (equivalent to approximately HK$32,181,000 (2019: HK$30,173,000)). Accordingly, the Company entered into a debt settlement agreement (執行和解協議) (the "Debt Settlement Agreement") with 上海復旦 and 北京億隆 on 9 December 2015, pursuant to which, the amount of the Judgment Debt was agreed at RMB27,000,000 (equivalent to approximately HK$32,181,000 (2019: HK$30,173,000)) which is interest-free, guaranteed and secured by a property of 北京億隆 (the "Yi Long Property") and (i) as to RMB3,000,000 (equivalent to approximately HK$3,576,000 (2019: HK$3,353,000)) payable at the date of signing of the Debt Settlement Agreement; and (ii) the remaining balance of RMB24,000,000 (equivalent to approximately HK$28,606,000 (2019: HK$26,820,000)) repayable by 4 quarterly installments on 31 March, 30 June, 30 September and 31 December 2016, respectively.

On 30 December 2015, the Company further entered into an agreement (關於執行和解協議之四方協議) (the "Four Parties Agreement") with the Subscriber, 北京億隆 and 北京創意金典投資諮詢服務有限公司 ("北京創意"), a company controlled by the Subscriber, pursuant to which, (i) the Subscriber undertakes the settlement of the Judgement Debt for the Company; (ii) 北京億隆 pledges the Yi Long Property to 上海復旦 as security against the Judgement Debt; and (iii) 北京創意 pays on behalf of the Subscriber RMB3,000,000 (equivalent to approximately HK$3,576,000 (2019: HK$3,353,000)) of the Judgement Debt. The directors are of the opinion that upon the entering of the Four Parties Agreement, the Company's obligation to repay the Judgement Debt has been assumed or satisfied by the Subscriber and therefore, the Company was indebted to the Subscriber in the sum of HK$33,606,830 which was satisfied by the issuing of 136,060,042 shares of the Company at a subscription price of HK$0.247 per share under the Subscription Agreement on 30 December 2015.

In view of the Litigation, the directors have taken appropriate actions to negotiate with 北京中証 for recovery of the Judgement Debt.

On 7 March 2016, the Company entered into an agreement (關於支付承諾款項之三方協議) (the "Debt Recovery Agreement") with 北京中証, pursuant to which, 北京中証 agreed to fully repay the Judgement Debt to the Company together with (i) an interest at 15% per annum; and (ii) a fixed fee of RMB5,000,000 (equivalent to approximately HK$5,960,000 (2019: HK$5,588,000) as compensation (collectively, the "Recoverable Debt"). The Recoverable Debt shall be settled on or before 7 March 2018 and is guaranteed by 北京桑普新源技術有限公司 ("北京桑普"), an independent third party.

On 5 February 2021, the Company entered in to a supplementary agreement (債務重組框架協議) (the "Debt Recovery Framework Agreement") with 北京中証 to further extend the settlement date of Recoverable Debt on or before 4 February 2023 by 北京中証.

27. INVENTORIES

	2020	2019
	HK$'000	HK$'000
Buses	**7,660**	7,660

28. PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE

	2020	2019
	HK$'000	HK$'000
At 1 January	**—**	—
Transfer from investment properties *(note)*	**401,264**	—
At 31 December	**401,264**	—

Note:

The Zhuhai Properties were transferred from investment properties as the development were commenced during the year ended 31 December 2020, which are stated at cost of approximately HK$401,264,000.

Impairment assessment of the Zhuhai Properties

The recoverable amount of the Zhuhai Properties has been assessed by Ravia Global, as at 31 December 2020. No written-down in respect of the Zhuhai Properties has been made as the net realisable value of Zhuhai Properties is higher than its cost as at 31 December 2020.

29. AMOUNTS DUE FROM/TO ASSOCIATES, A RELATED COMPANY, NON-CONTROLLING SHAREHOLDERS, RELATED PARTIES AND A DIRECTOR

The amounts due are unsecured, interest-free and repayable on demand.

Amount due from a related company disclosed pursuant to section 383(1)(d) to the Hong Kong Companies Ordinance is as follows:

	Maximum outstanding balance during the year	**2020**	2019
	HK$'000	**HK$'000**	HK$'000
New City (China)	14	**14**	13

Mr. Han, a director and the ultimate controlling party of the Company was also a director of New City (China).

30. CASH AND BANK BALANCES

At the end of reporting period, cash and bank balances of the Group are denominated in the following currencies:

	2020	2019
	HK$'000	HK$'000
HK$	**38,313**	2,983
USD	**523**	553
NT$	**97**	99
RMB	**4,525**	7,540
	43,458	11,175

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

31. ACCRUALS AND OTHER PAYABLES

	2020	2019
	HK$'000	HK$'000
Accrued expenses	**2,904**	3,722
Due to a former shareholder of Guangdong Changliu	**10,432**	9,780
Due to former shareholders of Zhuhai Teng Shun	**315,417**	64,195
Other payables	**17,129**	104,411
	345,882	182,108
Less: Non-current portion	**(315,440)**	(145,151)
Current portion	**30,442**	36,957

32. BORROWINGS

	Effective interest rate	Maturity	2020 HK$'000	2019 HK$'000
Bank loan 1*(note (a))*	8.085%	2030	**316,066**	304,569
Bank loan 2*(note (b))*	9.000%	2022	**—**	65,633
Bank loan 3 *(note (c))*	7.153%	2024	**213,270**	—
			529,336	370,202
Analysed into:				
Repayable:				
— Within one year or on demand			**14,633**	8,232
— In the second to fifth years, inclusive			**321,552**	150,693
— Over five years			**193,151**	211,277
Total			**529,336**	370,202
Less: Non-current portion			**(514,703)**	(361,970)
Current portion			**14,633**	8,232

Notes:

(a) On 20 June 2018, Guangdong Changliu entered into a loan agreement with China Zheshang Bank Co., Ltd. ("CZBANK"), pursuant to which, CZBANK agreed to grant a loan (the "CZBANK Loan") in the amount of RMB280,000,000 (equivalent to approximately HK$333,732,000 (2019: HK$312,900,000)) to Guangdong Changliu for a term of 12 years, which is secured by legal charges over the Guangzhou Properties and personal guarantee provided by Mr. Han. The CZBANK Loan bears interest at 8.085%, 165% of the benchmark annual lending and deposit rate of the People's Bank of China, which is repayable on a quarterly basis. The principal amount of the CZBANK Loan is repayable by 48 instalments starting from 20 September 2019 and will mature on 7 May 2030.

(b) On 30 April 2019, Zhuhai Teng Shun entered into a loan agreement with Dongguan Bank Co., Ltd. ("DGBANK"), pursuant to which, DGBANK agreed to grant a loan (the "DGBANK Loan") in the amount of RMB58,732,000 (equivalent to approximately HK$70,003,000 (2019: HK$65,633,000)) to Zhuhai Teng Shun for a term of 3 years. The principal amount of the DGBANK Loan is repayable once on the maturity date and will mature on 22 May 2022.

On 31 March 2020, subject to the terms of the above mentioned loan agreement with DGBANK, DGBANK granted a further loan in the amount of RMB10,201,000 (equivalent to approximately HK$12,159,000) to Zhuhai Teng Shun for a term of 3 years. The principal amount of the DGBANK Loan is repayable once on the maturity date and will mature on 30 March 2023.

32. BORROWINGS (Continued)

Notes: (Continued)

(b) (Continued)

On 30 September 2020, subject to the terms of the above mentioned loan agreement with DGBANK, DGBANK granted a further loan in the amount of RMB30,000,000 (equivalent to approximately HK$35,757,000) to Zhuhai Teng Shun for a term of 3 years. The principal amount of the DGBANK Loan is repayable once on the maturity date and will mature on 29 September 2023.

The bank loan with DGBANK is secured by legal charges over the Luoyang Properties, Zhuhai Properties and entire issued share capital of Zhuhai Teng Shun, corporate guarantee provided by Guangdong Changliu, Guangzhou Chang Yang Investment Company Limited (廣州暢揚投資股份有限公司) ("Guangdong Changyang") and non-controlling shareholders, personal guarantee provided by Mr. Han and a legal representative of a subsidiary and a key management personnel of a related company. The DGBANK Loan bears interest at 9%, 184% of the benchmark annual lending and deposit rate of the People's Bank of China, which is repayable on monthly basis.

On 16 December 2020, the principal amount of the DGBANK Loan in sum of approximately RMB98,933,000 (equivalent to approximately HK$117,918,000) has been repaid early by Zhuhai Teng Shun.

(c) On 9 October 2020, Zhuhai Teng Shun entered into a loan agreement with Bank of Guangzhou Co., Ltd. ("GZBANK"), pursuant to which, GZBANK agreed to grant a loan (the "GZBANK Loan") in the amount of RMB98,932,000 (equivalent to approximately HK$117,918,000) and RMB80,000,000 (equivalent to approximately HK$95,352,000) on 12 November 2020 and 8 December 2020 respectively to Zhuhai Teng Shun for a term of 5 years, which is secured by legal charges over the Luoyang Properties, Zhuhai Properties and entire issued share capital of Zhuhai Teng Shun and Luoyang Wan Heng, corporate guarantee provided by Guangdong Changliu, Guangzhou Chang Yang Investment Company Limited (廣州暢揚投資股份有限公司) ("Guangdong Changyang") and non-controlling shareholders, personal guarantee provided by Mr. Han and a legal representative of a subsidiary and a key management personnel of a related company. The GZBANK Loan bears interest rate from 7.0332% to 7.153%, 365% of the benchmark annual lending and deposit rate of the People's Bank of China, which is repayable on a monthly basis. The principal amount of the GZBANK Loan is repayable by instalments starting from 24th month from the first withdrawal date or the 6th month after the project obtains the first time pre-sale certificate, which is earlier, and will mature on 12 November 2025.

33. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**570**	1,066	**515**	1,020
In the second to fifth years, inclusive	**914**	527	**878**	496
After five years	**—**	—	**—**	—
	1,484	1,593	**1,393**	1,516
Less: Future finance charges	**(91)**	(77)	**N/A**	N/A
Present value of lease obligations	**1,393**	1,516	**1,393**	1,516
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(515)**	(1,020)
Amount due for settlement after 12 months			**878**	496

All finance lease payables are denominated in the following currencies.

	2020	2019
	HK$'000	HK$'000
HK$	**504**	1,321
RMB	**889**	195
	1,393	1,516

The weighted average incremental borrowing rate applied to lease liabilities is 4.75% (2019: 4.75%).

34. CONVERTIBLE NOTES

On 16 May 2018 and 19 July 2018, the Company issued two convertible notes with face value of HK$35,000,000 ("CN1") and HK$43,200,000 ("CN2") respectively to independent third parties. The holder of CN1 is entitled to convert CN1 into ordinary shares of the Company at the conversion price of HK$0.215 per ordinary share at any time between the date of issue of the CN1 and 15 May 2020. The holder of CN2 is entitled to convert CN2 into ordinary shares of the Company at the conversion price of HK$0.32 per ordinary share at any time between the date of issue of the CN2 and 18 July 2020. CN1 and CN2 bear interest of 2% and 2% respectively which will be paid on their maturity dates or, if earlier, upon conversion or redemption of the convertible notes.

The net proceeds amounted to HK$35,000,000 and HK$43,200,000 received from the issue of the CN1 and CN2 respectively have been split between the liability component and an equity component, as follows:

	2020 **HK$'000**	2019 HK$'000
Face value of convertible notes issued	**—**	—
Equity component	**—**	—
Liability component at the date of issue	**—**	—
Liabilities component at beginning of year	**—**	41,769
Imputed interest charged	**—**	681
Conversion	**—**	(42,450)
Liabilities component at end of the year	**—**	—

The interest charged is calculated by applying an effective interest rate of 4.56% and 4.93% to the liability component of the CN1 and CN2 respectively.

On 25 June 2018 and 23 October 2018, face value of HK$21,500,000 and HK$13,500,000 of CN1 had been converted into 100,000,000 and 62,790,697 ordinary shares of the Company respectively. The CN1 was fully converted as at 31 December 2018.

On 3 April 2019, face value of HK$43,200,000 of CN2 had been converted into 135,000,000 ordinary shares of the Company. The CN2 was fully converted as at 31 December 2019.

The directors estimate the fair value of the liability component of the CN2 at 31 December 2018 approximately to be its fair value which has been calculated by discounting the future cash flows at the market rate (level 2 fair value measurements).

35. PROMISSORY NOTES

As at 31 December 2019, the Group had issued promissory notes to an independent third party to acquire a subsidiary, China Goal Inc., with an aggregated principal value of HK$23,800,000, which included three promissory notes of the respective amount of HK$12,000,000 ("P-Note-1"), HK$5,900,000 ("P-Note-2") and HK$5,900,000 ("P-Note-3"). The promissory notes were interest free and are due for repayments ranging from 10 months to 34 months from respective date of issuance.

On initial recognition, the fair value of promissory notes issued by the Group were determined based on the present value of the contractual stream of future cash flows discounted at rates ranging from 17.47% to 17.67% per annum. The discount rates are determined with reference to the yield rate with credit rating and duration similar to the promissory notes.

On 30 June 2020, P-Note-1 with the principal amount of approximately HK$12,000,000 has been settled.

	2020	2019
	HK$'000	HK$'000
At 1 January	**18,600**	—
Issuance during the year	**—**	23,800
Imputed interest charged	**3,455**	(5,200)
Settlement	**(12,000)**	—
At 31 December	**10,055**	18,600
Less: Non-current portion	**(4,609)**	(8,100)
Current portion	**5,446**	10,500

The promissory notes are repayable as follows:

	2020	2019
	HK$'000	HK$'000
Within one year	**5,446**	10,500
More than one year, but not exceeding two years	**4,609**	4,400
More than two years, but not more than five years	**—**	3,700
	10,055	18,600

36. DEFERRED TAX

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

Deferred tax liabilities	**Fair value changes on the investment properties** HK$'000	**Fair value changes on the intangible assets** HK$'000	**Fair value adjustment on initial recognition of long term other payable** HK$'000	**Total** HK$'000
At 1 January 2019	165,341	—	—	165,341
Acquisition of subsidiaries	45,585	3,073	5,826	54,484
Exchange differences	(3,667)	—	(78)	(3,745)
At 31 December 2019 and 1 January 2020	207,259	3,073	5,748	216,080
Credited to the profit or loss for the year				
Exchange differences	**10,804**	**—**	**—**	**10,804**
At 31 December 2020	**218,063**	**3,073**	**5,748**	**226,884**

Deferred tax assets	**Tax losses** HK$'000
Acquisition of subsidiaries	40,256
Exchange differences	(533)
At 31 December 2019, 1 January 2020 and 31 December 2020	**39,723**

Notes:

(a) At the end of the reporting period the Group has unused tax losses of approximately HK$8,156,000 (2019: HK$4,962,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB6,840,000 (equivalent to approximately HK$8,153,000 (2019: RMB4,425,000 (equivalent to approximately HK$4,945,000) that will expire in five years from the year they originate. Other tax losses may be carried forward indefinitely.

(b) At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB34,507,000 (equivalent to approximately HK$41,129,000) (2019: RMB33,470,000 (equivalent to approximately HK$37,403,000)). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

37. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.004 each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**10,000,000,000**	**40,000**
Issued and fully paid:		
Ordinary shares of HK$0.004 each		
1 January 2019	3,479,835,737	13,919
Conversion of convertible notes *(note (a))*	135,000,000	540
At 31 December 2019 and 1 January 2020	**3,614,835,737**	**14,459**
Completion of the subscription of new shares *(note (b))*	**712,328,767**	**2,850**
At 31 December 2020	**4,327,164,504**	**17,309**

Notes:

(a) On 3 April 2019, face value of HK$43,200,000 of CN2 had been converted into 135,000,000 ordinary shares of the Company. The premium on the conversion of CN2, amounting to approximately HK$44,265,000, was credited to the Company's share premium account.

(b) On 5 May 2020, the subscription shares, being 712,328,767 new shares, have been subscribed by the subscriber at the subscription Price of HK$0.073 per subscription share pursuant to the terms and conditions of the subscription agreement.

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Nature and purpose of reserves

(a) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) Contributed surplus

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the reorganisation.

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(d) Convertible notes reserve

The convertible notes reserve represents the value of the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 4(p) to the consolidated financial statements.

(e) Statutory reserve

In accordance with the PRC Company Law and the Group's PRC subsidiaries' articles of association, the Group's PRC subsidiaries are required to allocate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies to the statutory reserve until such reserve reaches 50% of the registered capital. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as paid-in capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the paid-in capital of the Group's subsidiaries.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

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

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investments in subsidiaries	**34,481**	34,481
Prepayments, deposits and other receivables	**—**	53,411
	34,481	87,892
Current assets		
Financial assets at FVTPL	**31,448**	31,428
Prepayments, deposits and other receivables	**114,977**	76,111
Due from subsidiaries	**301,233**	245,277
Due from directors	**26**	—
Cash and bank balances	**11,292**	1,115
	458,976	353,931
Current liabilities		
Accruals and other payables	**1,860**	2,029
Due to subsidiaries	**87,236**	87,236
Due to a director	**1,734**	1,649
	90,830	90,914
Net current assets	**368,146**	263,017
Total assets less current liabilities	**402,627**	350,909
Net assets	**402,627**	350,909

39. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

(a) Statement of financial position of the Company (Continued)

	2020 HK$'000	2019 HK$'000
Equity		
Share capital	**17,309**	14,459
Reserves *(note 39(b))*	**385,318**	336,450
Total equity	**402,627**	350,909

Approved and authorised for issue by the Board of Directors on 31 March 2021.

Mr. Han Junran	**Mr. Luo Min**
Director	Director

(b) Reserves movement of the Company

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

	Share premium account HK$'000	Special reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	492,472	306,450	2,355	(491,985)	309,292
Conversion of convertible notes	44,265	—	(2,355)	—	41,910
Loss and total comprehensive income for the year	—	—	—	(14,752)	(14,752)
At 31 December 2019 and 1 January 2020	536,737	306,450	—	(506,737)	336,450
Issue of shares under general mandate	**49,151**	**—**	**—**	**—**	**49,151**
Loss and total comprehensive income for the year	**—**	**—**	**—**	**(283)**	**(283)**
At 31 December 2020	**585,888**	**306,450**	**—**	**(507,020)**	**385,318**

40. CONTINGENT LIABILITIES

Save as those disclosed in note 20 (b) to the consolidated financial statements, the Group did not have any material contingent liabilities as at 31 December 2020 and 2019.

41. RELATED PARTY TRANSACTIONS

(a) Save as those disclosed elsewhere in these consolidation financial statements, the Group had the following material transactions with related/connected companies during the year:

	2020	2019
	HK$'000	HK$'000
Rental expenses paid to related/connected companies	**1,524**	—

The Group entered into a 2-year lease agreement with a related/connected company of the Group, during the year ended 31 December 2019. The total undiscounted cash flows over the lease terms amounted to approximately 3,084,000.

(b) Compensation of key management personnel of the Group:

	2020	2019
	HK$'000	HK$'000
Fees	**1,358**	1,073
Other emoluments		
salaries, wages and other benefits	**4,611**	4,506
contributions to defined contribution retirement plan	**90**	90
	4,701	4,596
	6,059	5,669

Further details of directors' and the chief executive's emoluments are set out in notes 14 and 15 to the consolidated financial statements.

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group: (Continued)

The number of directors, chief executive and key management personnel of the Group, whose remuneration/compensation fell within the following bands is as follows:

	2020	2019
Nil to HK$1,000,000	**9**	9
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$5,000,000	**—**	—
	11	11

42. OPERATING LEASE COMMITMENTS

(a) As lessor

Operating leases relate to investment property owned by the Group with lease terms of 1 to 6 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2020 **HK$'000**	2019 HK$'000
Within first year	**24,687**	23,101
In the second year	**18,880**	15,107
In the third year	**14,145**	10,074
In the fourth year	**9,510**	6,501
In the fifth year	**4,197**	3,095
After five years	**5,878**	4,130
	77,297	62,008

(b) As lessee

The portfolio of short-term leases for certain of its offices which are regularly entered into by the Group during the year ended 31 December 2020. As at 31 December 2020, the outstanding lease commitments is HK$382,000 (2019: nil).

43. OTHER COMMITMENTS

In addition to the operating lease commitments, the Group had the following commitments at the end of the reporting period:

(a) Capital injection

On 12 July 2014, the Company entered into a letter of intent for co-operation with an independent third party (the "Partner"), pursuant to which, a Hong Kong company, New City Fortune Medicare Group Limited ("NC Fortune Medicare") was incorporated, of which, 34% equity interest in NC Fortune Medicare was held by the Group. NC Fortune Medicare will then set up a wholly-owned subsidiary in Shanghai (the "Shanghai Subsidiary") for the development of medicare business in various cities in the PRC. The registered capital of the Shanghai Subsidiary will be RMB1,000,000 (equivalent to approximately HK$1,191,900 (2019: HK$1,118,000)), which shall be financed by all the shareholders of NC Fortune Medicare in proportion to their respective shareholdings therein. Approving these consolidated financial statements. none of the RMB340,000 (equivalent to approximately HK$405,246 (2019: HK$380,000)), being the contribution by the Group, has been injected by the Company to the Shanghai Subsidiary through NC Fortune Medicare.

(b) Capital commitment

	2020	2019
	HK$'000	HK$'000
Construction design contracts for the Luoyang Properties	**5,747**	10,407

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

During the year ended 31 December 2019, the Group acquired 15.88%, 70% and 41% of the issued share capital of Zhuhai Teng Shun, China Goal Inc. and Peaceful Kingdom Inc. for a total consideration of approximately HK$19,140,000 and satisfied by cash and promissory notes of approximately HK$540,000 and HK$18,600,000 respectively. Zhuhai Teng Shun, China Goal Inc. and Peaceful Kingdom Inc. are engaged in properties development, investment holding company in particular to hold a license of property management intellectual properties and supermarket business respectively.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Acquisition of subsidiaries (Continued)

The fair value of the identifiable assets and liabilities of subsidiaries acquired as at respective dates of acquisition are as follows:

Net assets acquired:	HK$'000
Property, plant and equipment	1
Investment properties	339,750
Intangible assets	34,643
Financial assets at FVTOCI	28,253
Financial assets at FVTPL	3,129
Deferred tax assets	40,256
Other receivables	6,051
Bank and cash balances	828
Other payables	(311,865)
Deferred tax liabilities	(54,484)
	86,562
Non-controlling interests	(34,599)
Fair value of 39.12% of equity interest in Zhuhai Teng Shun	(17,985)
Gain on bargain purchases on acquisition of subsidiaries	(14,838)
	19,140
Satisfied by:	
Cash	540
Promissory notes	18,600
	19,140
Net cash inflow arising on acquisition:	
Cash consideration paid	(540)
Cash and cash equivalents acquired	828
	288

For the purpose of business combination, the Group recognised a gain of approximately HK$6,485,000 from the measuring the fair value of 39.12% equity interests in Zhuhai Teng Shun. The Group also recognised a gain on bargain purchase of approximately HK$14,838,000 in the business combination. The gains are included in other income.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Acquisition of subsidiaries (Continued)

The gain on a bargain purchase arises from the excess of fair value of identifiable assets and liabilities of the acquired subsidiaries over the consideration of acquisition. No revenue and profit of the acquired subsidiaries was recorded for the year ended 31 December 2019.

(b) Total cash outflow for lease

Amounts included in the cash flow statements for lease comprise the following:

	2020	2019
	HK$'000	HK$'000
Within operating cash flows	**89**	150
Within financing cash flows	**1,279**	4,682
	1,368	4,832

These amounts related to the following:

	2020	2019
	HK$'000	HK$'000
Lease rental paid	**1,368**	4,832

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financing activities

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

	Borrowings	Convertible notes	Promissory notes	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	318,808	41,769	—	6,401	366,978
Cash flow	31,601	—	—	(4,832)	26,769
Acquisition of subsidiaries	—	—	18,600	—	18,600
Conversion of convertible notes	—	(42,450)	—	—	(42,450)
Termination of lease agreement	—	—	—	(198)	(198)
Interest expenses	25,579	681	—	—	26,260
Interest on lease liabilities	—	—	—	150	150
Exchange differences	(5,786)	—	—	(5)	(5,791)
At 31 December 2019 and 1 January 2020	370,202	—	18,600	1,516	390,318
Cash flow	**87,450**	**—**	**—**	**(1,368)**	**86,082**
Commencement of lease agreement	**—**	**—**	**—**	**1,103**	**1,103**
Interest expenses	**39,501**	**—**	**3,455**	**—**	**42,956**
Interest on lease liabilities	**—**	**—**	**—**	**89**	**89**
Settlements	**—**	**—**	**(12,000)**	**—**	**(12,000)**
Exchange differences	**32,183**	**—**	**—**	**53**	**32,236**
At 31 December 2020	**529,336**	**—**	**10,055**	**1,393**	**540,784**

45. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2020 are as follows:

Name	Place of incorporation/ establishment	Registered/ issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities and place of operation
New City Aviation Investment Holdings Limited	Hong Kong	HK$100	100%	—	Investment holding, Hong Kong
New City Cultural Investment Holdings Limited	Hong Kong	HK$100	100%	—	Investment holding, Hong Kong
Perfection King Limited	Hong Kong	HK$1	100%	—	Investment holding, Hong Kong
New Rank Services Limited	Hong Kong	HK$2	—	100%	General management, Hong Kong
Brilliant Centre Limited	Hong Kong	HK$1	—	100%	Inactive, Hong Kong
Fudi International Holding Co., Limited	Hong Kong	HK$10,000	—	100%	Investment holding, Hong Kong
Novel Apex Investments Limited	Hong Kong	HK$1	—	100%	Investment holding, Hong Kong
New City Bus Investment Limited	Hong Kong	HK$100	—	100%	Sales of buses, Hong Kong
Faith Onward (Hong Kong) Investments Limited	Hong Kong	HK$1	—	100%	Investment holding, Hong Kong
Guangdong Changliu *(note (a))*	PRC	RMB40,000,000	—	100%	Property development and investment, PRC
信誠(洛陽)酒店物業管理有限公司 *(note (b))*	PRC	RMB2,000,000	—	90%	Investment holding, PRC
Luoyang Wan Heng *(note (c))*	PRC	RMB8,000,000	—	90%	Property development and investment, PRC

45. PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Registered/ issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities and place of operation
Guangdong Changyang *(note (d))*	PRC	RMB10,000,000	—	70%	Investment holding, PRC
廣州暢影影視製作有限公司 *(note (e))*	PRC	RMB3,000,000	—	60%	Property development and investment, PRC
Zhuhai Teng Shun *(note (e))*	PRC	RMB3,000,000	—	55%	Property development, PRC
China Goal Inc.	BVI	US$100	—	70%	Property management, PRC
Peaceful Kingdom Inc. *(note (f))*	BVI	US$100	—	41%	Supermarket business, PRC

Notes:

(a) This subsidiary is registered as a limited liability company (foreign joint venture) under the PRC Law.

(b) This subsidiary is registered as a limited liability company (Taiwan, Hong Kong or Macau and domestic joint venture) under the PRC Law.

(c) This subsidiary is registered as a limited liability company (foreign-invested enterprise sole investment) under the PRC Law.

(d) This subsidiary is registered as a limited liability company (foreign-invested enterprise investment) under the PRC Law.

(e) These subsidiaries are registered as other limited liability company under the PRC Law.

(f) Although the Group owns less than 50% of the equity interest in Peaceful Kingdom Inc. However, Peaceful Kingdom Inc. is treated as a subsidiary as the management is of the view that the Group is able to control the financial and operational activities of Peaceful Kingdom Inc. by composition of board of directors under which the Group is entitled to appoint three directors out of the five directors of Peaceful Kingdom Inc.

45. PRINCIPAL SUBSIDIARIES (Continued)

The following table shows information on the subsidiary that has non-controlling interests material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Zhuhai Teng Shun**		**Luoyang Wan Heng**	
	2020	2019	**2020**	2019
Principal place of business/country of incorporation	**PRC/PRC**		**PRC/PRC**	
% of ownership interests/voting rights held by non-controlling interests	**61.5%/45%**	61.5%/45%	**10%/10%**	10%/10%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**—**	335,251	**46,924**	41,740
Current assets	**677,250**	7,679	**372**	352
Current liabilities	**(238,352)**	(100,081)	**(47,320)**	(39,185)
Non-current liabilities	**(407,812)**	(213,662)	**(512)**	—
Net assets/(liabilities)	**31,086**	29,187	**(536)**	2,907
Accumulated non-controlling interests	**(19,118)**	17,950	**54**	291
Year ended 31 December:				
Revenue	**—**	—	**—**	—
Loss for the year	**(257)**	(217)	**(3,441)**	(792)
Total comprehensive income	**(257)**	(217)	**(3,441)**	(792)
Loss allocated to non-controlling interests	**(158)**	(133)	**(344)**	(79)
Net cash (used in)/generated from operating activities	**(99,191)**	(66,614)	**344**	(8)
Net cash used in investing activities	**(43,694)**	—	**—**	—
Net cash generated from/(used in) financing activities	**143,268**	66,514	**(254)**	—
Net increase/(decrease) in cash and cash equivalents	**383**	(100)	**90**	(8)

46. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 31 March 2021.

Five Year Financial Summary

31 December 2020

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK'000
REVENUE	**46,794**	48,494	91,764	39,076	34,982
GROSS PROFIT	**43,834**	41,150	39,983	35,952	31,866
(LOSS)/PROFIT BEFORE TAX	**(33,777)**	(3,628)	28,005	(26,103)	2,929
INCOME TAX EXPENSE	**(11)**	(111)	(14,294)	(3,093)	(1,710)
(LOSS)/PROFIT FOR THE YEAR	**(33,788)**	(3,739)	13,711	(23,010)	1,219
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company	**(27,950)**	(1,075)	13,753	23,274	1,294
Non-controlling interests	**(5,838)**	(2,664)	(42)	(264)	(75)
	(33,788)	(3,739)	13,711	23,010	1,219

ASSETS AND LIABILITIES

	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,932,582**	1,559,348	1,261,431	1,104,147	980,331
TOTAL LIABILITIES	**(1,140,545)**	(817,736)	(572,225)	(440,410)	(376,638)
NON-CONTROLLING INTERESTS	**(21,398)**	(26,845)	197	(438)	(435)
	770,639	714,767	689,403	663,299	603,258