



World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713

ANNUAL REPORT

2021

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Tat Hing (Chairman)
Ms. Fung Mei Po (Vice Chairperson and
Chief Executive Officer)
Mr. Lee Chun Sing (Vice Chairman)
Mr. Lee Kwok Sing Stanley

Non-executive Director

Mr. Cheung Tze Man Edward

Independent Non-executive Directors

Mr. Tsui Chi Him Steve
Mr. Ho Tak Kay
Mr. Hui Chi Kuen Thomas

QUALIFIED ACCOUNTANT

Mr. Leung Cho Wai, FCCA, CPA

COMPANY SECRETARY

Mr. Tsui Chi Yuen, CPA

PRINCIPAL OFFICE

Flat C, 18th Floor
Bold Win Industrial Building
16-18 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL BANKERS

Standard Chartered Bank
HSBC
Bank of China
Hang Seng Bank
DBS Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SHARE REGISTRARS AND TRANSFER OFFICES

In Hong Kong

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

In the Cayman Islands

The R&H Trust Co. Ltd.
P.O. Box 897
Windward 1
Regatta Office Park
Grand Cayman KY1-1103
Cayman Islands

STOCK CODE

713

COMPANY'S WEBSITE

<http://www.worldhse.com>

Summary of Notice of Annual General Meeting

Set out below is a summary of the notice of annual general meeting, the full version of which is set out in the circular to shareholders dispatched at 26 April 2022.

An Annual General Meeting of World Houseware (Holdings) Limited (the “Company”) will be held at The Jade Room, 6th Floor, The Marco Polo Hongkong Hotel, Harbour City, Kowloon, Hong Kong at 2:30 p.m. on Tuesday, 14 June 2022 for the following purposes:

1. To receive and adopt the audited Financial Statements of the Company and its subsidiaries and the Reports of the Directors and Auditors for the year ended 31 December 2021.
2. To re-elect Directors and to authorise the Board to fix the Directors’ remuneration.
3. To re-appoint Auditors and authorise the Board to fix their remuneration.
4.
 - A. To grant a general mandate to the Directors to allot shares.
 - B. To grant a general mandate to the Directors to repurchase the Company’s own shares.
 - C. To add the nominal amount of the shares repurchased under resolution 4B to the mandate granted to the Directors under resolution 4A.
5. To amend and restate memorandum and articles of association of the Company in the manner as set out in the circular of the Company dated 26 April 2022, be approved and adopted in substitution for and to the exclusion of the existing memorandum and articles of association of the Company.

By Order of the Board

Lee Tat Hing

Chairman

Hong Kong

29 March 2022

Chairman's Statement

BUSINESS REVIEW

For the year ended 31 December 2021, the Group recorded a consolidated turnover of HK\$878,030,000 representing an increase of 7.4% when comparing with HK\$817,298,000 last year. Gross profit and gross profit margin were HK\$149,424,000 and 17% respectively. Profit for the year was HK\$44,022,000.

During the year of 2021, due to the continued outspread of the novel coronavirus, the Group experienced difficulties in certain business.

For the household products business, the business turnover was HK\$163,776,000 which represented a decrease of 6.3% when comparing with HK\$174,746,000 last year. The business had recorded a segment loss of HK\$15,778,000.

For PVC pipes and fittings manufacturing business, the business turnover was HK\$712,979,000 representing an increase of 11.9% when comparing with HK\$637,318,000 last year and the business had recorded a segment profit of HK\$35,000,000.

The gains arising from changes in fair value of investment properties and long-term other assets was HK\$684,000 and HK\$63,392,000 respectively.

PROSPECTS

Looking ahead, the Covid-19 pandemic will continue to bring about a lot of challenges and difficulties to the business of the Group.

For the PingShan Good Time Urban Renewal Project (花樣年旭輝好時光家園), the construction is progressing as scheduled and it is expected that when the allotment of the shopping mall, carparks and residential flats and related premises will be completed and handed over to the Group, the Project will generate satisfactory results for the Group.

Regarding the Group's Circular and Notice of the extraordinary general meeting published on 17 March 2022 concerning the intention of the PRC government for the resumption of the Group's land parcel no. G05701-4 located at Pinghu Street, Longgang District, Shenzhen City, the PRC, it is expected that after the approval of the shareholders and our efforts to meet the target development, it will generate good results to the Group.

In the face of difficulties and unexpected challenges, the Group will strive to do its best to adjust its strategy and strengthen its core business expecting a bright future for the Group.

By Order of the Board

Lee Tat Hing

Chairman

Hong Kong

29 March 2022

Management Discussion and Analysis

RESULTS

- The Group recorded a turnover of HK\$878,030,000 for the year ended 31 December 2021, representing an increase of 7.4% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK\$149,424,000 and 17.0%, representing a decrease of HK\$18,007,000 and a decrease of 10.8% respectively as compared to the same period last year.
- Profit for the year was HK\$44,022,000, as compared to a profit of HK\$68,984,000 for the same period last year.
- Basic profit per share was 5.73 HK cents, as compared to profit per share of 9.03 HK cents for the same period last year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 31 December 2021, the Group had bank balances and cash and pledged bank deposits of approximately HK\$849,593,000 (31.12.2020: HK\$126,111,000) and had interest-bearing bank borrowings of approximately HK\$208,039,000 (31.12.2020: HK\$197,110,000). The Group's interest-bearing bank borrowings was mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 31 December 2021 amounted to HK\$475,950,000; of which HK\$208,039,000 of the banking facilities was utilised (utilisation rate was at 43.7%).

The Group continued to conduct its business transactions principally in Hong Kong dollars, US dollars and Renminbi. The Group's exposure to the foreign exchange fluctuations has not experienced any material difficulties in the operations or liquidity as a result of fluctuations in currency exchange.

At 31 December 2021, the Group had current assets of approximately HK\$1,449,517,000 (31.12.2020: HK\$624,983,000). The Group's current ratio was approximately 1.10 as at 31 December 2021 as compared with approximately 1.14 as at 31 December 2020. Total shareholders' funds of the Group as at 31 December 2021 increase by 4.6% to HK\$1,939,591,000 (31.12.2020: HK\$1,854,197,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2021 was 0.95 (31.12.2020: 0.57).

Management Discussion and Analysis

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, right-of-use assets and bank deposits with an aggregate net book value of HK\$145,736,000 (31.12.2020: HK\$164,469,000) were pledged to banks for general banking facilities granted to the Group.

In addition, the Group also pledged the life insurance to a bank to secure general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 31 December 2021, the Group employed a total workforce of about 710 staff (31.12.2020: 796) including 682 staff (31.12.2020: 768) in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$75,445,000 (31.12.2020: HK\$76,694,000). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training programmes were also provided to staff in our PRC factories.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LEE Tat Hing, aged 84, is the Chairman of the Group. Mr. Lee has over 40 years' experience in the trading and manufacture of household products and is responsible for the strategic planning and business development of the Group.

FUNG Mei Po, aged 66, is the wife of Mr. Lee Tat Hing and the Vice Chairperson and Chief Executive Officer of the Group. She has over 30 years' experience in marketing, production planning and factory management and has been with the Group for over 30 years. Ms. Fung is in charge of sales of the Group's North American markets and the Group's Hong Kong operations and administration.

LEE Chun Sing, aged 61, is the son of Mr. Lee Tat Hing and the Vice Chairman of the Group. He is responsible for the planning and production management of the Group's PRC operations and has been with the Group since 1985.

LEE Kwok Sing Stanley, aged 59, is the son of Mr. Lee Tat Hing. He is responsible for the administration and management of factory in the PRC. He joined the Group in 1989 and is very experienced in factory management.

NON-EXECUTIVE DIRECTOR

CHEUNG Tze Man Edward, aged 69, is a practising solicitor in Hong Kong. He obtained his Bachelor of Laws degree from the University of London and Master of Laws in Chinese Law from University of Hong Kong and is a member of the Law Society in Hong Kong and in England and Wales. He is also a member of the Institute of Chartered Secretaries and Administrators.

INDEPENDENT NON-EXECUTIVE DIRECTORS

TSUI Chi Him Steve, aged 66, had engaged in managerial positions in major British and Chinese banks in Hong Kong in the past with more than 20 years' experience in credit, credit audit and credit risk management, involving many medium size and some large corporations listed in China or in Hong Kong. Mr. Tsui joined the Group in 2007.

HO Tak Kay, aged 65, is a fellow member of the Association of Chartered Certified Accountants as well as the Hong Kong Institute of Certified Public Accountants. He had worked in certain international accounting firms before and has over 30 years' experience in audit, accounting and financial fields. Mr. Ho joined the Group in 2004.

HUI Chi Kuen Thomas, aged 65, is a professional accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in Australia and CPA Australia. He has over 20 years' experience in accounting, taxation and financial management gained in certain multinational corporations and publicly listed companies in Hong Kong and Australia. Mr. Hui joined the Group in 2004.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

LEUNG Cho Wai, aged 55, is the Financial Controller and Qualified Accountant of the Group. He joined the Group in 2007. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institution of Certified Public Accountants. He has gained extensive experience in auditing, accounting, taxation and financial management by working in certified public accountants firm and publicly listed companies in Hong Kong. He is responsible for the overall financial management and planning of the Group.

TSUI Chi Yuen, aged 57, is the secretary of the Company and joined the Group in 2007. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsui has over 25 years of experience in auditing, accounting and financial management.

LEE Fung Mei Belinda, aged 56, is the daughter of Mr. Lee Tat Hing and senior sales manager of the Group. Ms. Lee graduated from York University in Canada with a Bachelor's degree in Economics. Ms. Lee assists Ms. Fung Mei Po in the marketing of the Group's products in the United States of America and Canada and she has been with the Group since 1989.

LEE Hon Sing Alan, aged 58, is the son of Mr. Lee Tat Hing. Mr. Lee is responsible for the administration, management and production of the production plant in the PRC. He joined the Group in 1989 and is very experienced in factory management.

WANG Wen Bi, aged 56, graduated from the Taiwan Culture University. He is the engineering and technology manager of PVC pipes and fittings segment. He joined the Group in 1995 and is very experienced in technological management, production and administration.

LAI Lai Wah, aged 64, is the wife of Mr. Lee Chun Sing, Madam Lai is responsible for the administration, management and production of the production plant the PRC factory. Madam Lai is very experienced in factory management.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the “Board”) of World Houseware (Holdings) Limited (the “Company”) believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Board regularly reviews the Company’s corporate governance guidelines and developments. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the “Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

BOARD OF DIRECTORS

The Board of the Company currently comprises:

Executive Directors:

Lee Tat Hing	<i>(Chairman)</i>
Fung Mei Po	<i>(Vice Chairperson and Chief Executive Officer)</i>
Lee Chun Sing	<i>(Vice Chairman)</i>
Lee Kwok Sing Stanley	

Non-executive Director:

Cheung Tze Man Edward

Independent Non-executive Directors:

Tsui Chi Him Steve
Ho Tak Kay
Hui Chi Kuen Thomas

Corporate Governance Report

BOARD OF DIRECTORS – *continued*

One Non-executive Director and four Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of legal, accounting and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

Ms. Fung Mei Po, the Vice Chairperson and Chief Executive Officer, is the wife of Mr. Lee Tat Hing, the Chairman whereas Mr. Lee Chun Sing, the Vice Chairman and Mr. Lee Kwok Sing Stanley, an executive director are the sons of Mr. Lee Tat Hing, the Chairman.

During the year, four full board meetings were held and the attendance of each director is set out as follows:

Name of directors	Number of board meetings attended in 2021	Attendance rate
Lee Tat Hing	4/4	100%
Fung Mei Po	4/4	100%
Lee Chun Sing	4/4	100%
Lee Kwok Sing Stanley	4/4	100%
Cheung Tze Man Edward	4/4	100%
Tsui Chi Him Steve	4/4	100%
Ho Tak Kay	4/4	100%
Hui Chi Kuen Thomas	4/4	100%
Shang Sze Ming (<i>Resigned on 31 October 2021</i>)	4/4	100%

The Board formulates overall strategy of the Company, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Company's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The regular Board meeting schedule for any year is planned in the preceding year. At least 14 days notice of all board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all directors at least 3 days before the date of every board meeting so that the directors have the time to review the documents. Minutes of every board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following board meeting.

Corporate Governance Report

BOARD OF DIRECTORS – *continued*

Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

The Board has a defined schedule of matters reserved for the Board decision in various major categories and events.

When the Board considers any material proposal or transaction in which a substantial shareholder or a Director has a conflict of interest, a board meeting is held and Independent Non-executive Directors who have no material interest in the transaction present at such board meeting. At the meeting, the Director who has interests declares his interest and is required to abstain from voting.

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Board reviews the extent of this insurance annually.

Composition of the Board, by category of Directors, including names of Chairman, Executive Directors, Independent Non-executive Directors and Non-executive Director is disclosed in all corporate communications.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. Lee Tat Hing and Ms. Fung Mei Po respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Company in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has fixed a term of 3 years' appointment for Non-executive Director and subject to re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

All directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years.

DIRECTORS' TRAINING

According to Code provision A6.5 of the Corporate Governance 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.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises three Executive Directors, one Non-executive Director and four Independent Non-executive Directors.

The Remuneration Committee was formed in September 2005 and meetings shall be held at least once a year. One meeting was held in 2021. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2021	Attendance rate
Tsui Chi Him Steve (<i>Chairman of remuneration committee</i>)	1/1	100%
Lee Tat Hing	1/1	100%
Fung Mei Po	1/1	100%
Lee Chun Sing	1/1	100%
Cheung Tze Man Edward	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%
Shang Sze Ming (<i>Resigned on 31 October 2021</i>)	1/1	100%

The emoluments payable to directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the directors' remuneration are set out in note 12 (i) to the financial statements.

The major roles and functions of the Remuneration Committee are as follows:

1. To review annually and recommend to the Board the overall remuneration policy for the directors, the Chief Executive Officer and key senior management officers.
2. To review annually the performance of the Executive Directors, the Chief Executive Officer and key senior management officers and recommend to the Board specific adjustments in remuneration and/or reward payments.
3. To ensure that the level of remuneration for Non-executive Director and Independent Non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board of Company.
4. To review and approve the compensation payable to Executive Directors, the Chief Executive Officer and key senior management officers in connection with any loss or termination of their office or appointment.
5. To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct.
6. To ensure that no director is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee are available from the Company Secretary on request.

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee of the Company comprises three Executive Directors and four independent Non-executive Directors. The Nomination Committee was formed in September 2007 and meetings shall be held at least once a year. One meeting was held in 2021. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2021	Attendance rate
Lee Tat Hing (<i>Chairman of nomination committee</i>)	1/1	100%
Fung Mei Po	1/1	100%
Lee Chun Sing	1/1	100%
Tsui Chi Him Steve	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%
Shang Sze Ming (<i>Resigned on 31 October 2021</i>)	1/1	100%

The Nomination Committee which has written term of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The Nomination Committee responsibilities are as follows:

- a. to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- b. to identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;
- c. to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board;
- d. to assess the independence of independent non-executive directors on its appointment or when their independence is called into question;
- e. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

Corporate Governance Report

NOMINATION COMMITTEE – *continued*

The terms of reference of the Nomination Committee are available from the Company Secretary on request.

The Board recognize the importance and benefit of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience.

With the existing Board members coming from a variety of business and professional background and one out of the nine Board members being woman, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the company's business.

ACCOUNTABILITY AND AUDIT

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2021, the directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Company comprises one Non-executive Director and four Independent Non-executive Directors.

The Audit Committee shall meet at least two times a year. Two meetings were held during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2021	Attendance rate
Tsui Chi Him Steve (<i>Chairman of audit committee</i>)	2/2	100%
Cheung Tze Man Edward	2/2	100%
Hui Chi Kuen Thomas	2/2	100%
Ho Tak Kay	2/2	100%
Shang Sze Ming (<i>Resigned on 31 October 2021</i>)	2/2	100%

Corporate Governance Report

AUDIT COMMITTEE – *continued*

During the meetings held in 2021 the Audit Committee had performed the following work:

- (i) reviewed the financial reports for the year ended 31 December 2020 and for the six months ended 30 June 2021;
- (ii) reviewed the effectiveness of internal control system;
- (iii) discussed with the external auditors the audit fee in respect of the financial statements for the year ended 31 December 2020.

The major roles and functions of the Audit Committee are as follows:

- 1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Company.
- 2. To discuss with the external auditors the nature and scope of the audit.
- 3. To review the interim and annual financial statements before submission to the Board.
- 4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss.

The terms of reference of the Audit Committee are available from the Company Secretary on request.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs Deloitte Touche Tohmastu, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	2,810
Review on interim financial statements	530
Non-audit services – taxation and other services	412
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	3,752
	<hr/> <hr/>

Corporate Governance Report

RISK COMMITTEE

The Risk Committee of the Company comprises three Executive Directors, a Non-executive Director, four independent Non-executive Directors and the Financial Controller. The Risk Committee was formed in 1 April 2016. One meeting was held in 2021. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2021	Attendance rate
Tsui Chi Him Steve (<i>Chairman of risk committee</i>)	1/1	100%
Lee Tat Hing	1/1	100%
Fung Mei Po	1/1	100%
Lee Chun Sing	1/1	100%
Cheung Tze Man Edward	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%
Shang Sze Ming (<i>Resigned on 31 October 2021</i>)	1/1	100%
Leung Cho Wai	1/1	100%

The Risk Committee is responsible for monitoring the Group's business, assess the Group's ability to respond to changes in its business and external environment; deciding the Group's risk level and risk appetite; and to consider solutions and provide appropriate guidance. Oversee the Group's risk management and internal control systems, review the effectiveness of the systems including the financial control system, operation control system and compliance control system.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Responsibility of the Board

The Board is committed to the maintenance of good corporate governance practices and procedures, and implements an effective risk management and internal control systems of the Group. However, such systems are designed to manage rather than eliminate risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management and Risk Assessment

The Board has the overall responsibilities of the risk management and internal controls systems of the Group. With the support from the Risk Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management system on an ongoing basis.

Management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal controls. Essential to the Group's risk management and internal control systems are policies and procedures that are documented and communicated to employees.

Corporate Governance Report

OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK – *continued*

Risk Management and Risk Assessment – *continued*

To provide sound and effective risk management, the Group has established a risk management system which includes the following key features:

- An organisational structure for different responsible parties with defined authority, responsibilities and risk management roles;
- The Board sets forth the proper risk management culture and risk appetite for the Group, evaluates and determines the level of risk that the Group should take and monitor regularly;
- A Risk Management Policy has been established to provide a framework, which includes a risk assessment process, for the identification, analysis, evaluation, treatment, monitoring and reporting of the Group's key risks to support the achievement of the organisation's overall strategic objectives.

Risk assessment has been performed by management to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives and to respond to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group. Remedial measures are developed to manage these risks to an acceptable level. The results of risk assessment is reported to and discussed with the Board.

INTERNAL CONTROL

The Company maintains a comprehensive and effective internal control system. The Company's internal control cover a number of procedures and policies which covers all material controls, including financial, operational, compliance controls and risk management functions.

The management of the Company had reviewed the Company's internal control system for the year ended 31 December 2021 and had submitted the results of the review and its recommendations and opinions for consideration by the Audit Committee and the Board.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Through the Risk Committee, the Board has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems effective and adequate. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The scope and quality of ongoing monitoring of risk management and the internal control systems have been assessed. No significant areas of concern that may affect the Group to achieve strategic goals have been identified.

The Board has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as Chairmen of the Audit, Remuneration and Nomination Committees together with the external auditors are present to answer shareholders' questions. An annual general meeting circular is distributed to all shareholders at least 21 days before the annual general meeting. It sets out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the annual general meeting and (except where a poll is demanded) reveals how many proxies for and against have been filed in respect of each resolution. The results of the poll, if any, will be published in our investor relations website.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Company. The Company has announced its annual and interim results in a timely manner as laid down in the Listing Rules after the end of the relevant periods in 2021.

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

Reference made to the Environmental, Social and Governance Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by the Stock Exchange.

ENVIRONMENTAL PROTECTION

The Group practice environmental and sustainable development concept, the companies are actively taking measures to protect the environment in their operations.

The Group actively fulfills social responsibility, adhere to both of the concept development and environmental protection, rational resource utilisation and practises of environmental protection in actual actions. One of the businesses of the Group is engaged in food waste recycling business, food waste is sufficiently used for recycling and turns into feed for livestock farming and aquaculture, effective recycling for more efficient use of resources. The teams manage programs to cut down hazardous and non-hazardous waste. Simultaneously, proper treatment of industrial waste water and hazardous waste has been put into practice.

The Group practice paper saving initiatives, such as reminder for staff to have environmentally friendly photocopying habit, suggest double-sided printing and copying, and encourage staff to save water in their daily lives.

A1: Emissions KPIs Greenhouse gas, the head office of the company performance on sustainable development in terms of greenhouse gas emissions is summarized as follows:

		For the year ended 31 December	
		2021	2020
Water	Consumption quantity	281 m³	370 m ³
	Intensity (based on head office surface area)	0.28 m³/m²	0.37 m ³ /m ²
Electricity	Consumption quantity	95,472 KWh	95,336 KWh
	Intensity (based on head office surface area)	96 KWh/m²	96 KWh/m ²
Paper	Consumption quantity	875 kgs	1,173 kgs
	Intensity (based on head office surface area)	0.88 kgs/m²	1.18 kgs/m ²

The company actively enhance employees' awareness of energy saving and emission reduction for the purpose of reducing greenhouse gas emission.

Environmental, Social and Governance Report

A2: Use of Resources KPIs, the resources used in our factory are summarised as follows:

KPI		For the year ended 31 December	
		2021	2020
A2.1 Water	Consumption quantity	233,235 m³	245,046 m ³
	Intensity (based on the sales quantity)	4.18 m³/tons	4.28 m ³ /tons
A2.2 Electricity	Consumption quantity	38,060,160 KWh	35,773,600 KWh
	Intensity (based on the sales quantity)	682 KWh/tons	625 KWh/tons
A2.5 Paper	Consumption quantity	5,835.10 kgs	5,100 kgs
	Intensity (based on the sales quantity)	0.10 kgs/tons	0.09 kgs/tons

The consumption of water, electricity and paper in the company varies, depending on the types of products, nature of fabrics, production processes as well as weather and temperature.

LABOUR STANDARDS

No child or forced labour in the Group's operations in the reporting period, it is in compliance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong in terms of employment management. The Group's in China factory recruitment and utilization standards are implemented in strict compliance with the relevant labour laws of the PRC. The Group will regularly review the recruitment measures; ensure full compliance with the Employment Ordinance and Labour Law of the PRC.

Talented person are our most important asset for development business, we will attract professional person and retaining talent to match up the Group's environmental protection business to rapid development for the business sustainable growth.

The recruitment process is strictly abided by the guidelines of the Group's Human Resource Department. Every job applicant is required to fill in their information in a recruitment questionnaire, which is checked by Human resource Department to ensure information's accuracy. This also allows the Group to hire suitable candidate in accordance with the job requirements and candidates' expectations.

Environmental, Social and Governance Report

EQUAL OPPORTUNITY

Equal opportunities are given to employees in respect of recruitment, job advancement, training, compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, sexual orientation, age, ethnic, skin color, religion, disability, pregnancy or any other discrimination.

EMPLOYEE HEALTH AND SAFETY

The Group has put the health and safety of the employees as the priority of productions, ensures that provided a safe and healthy working environment for employees, and every workers who operate factory plants are required to train for how to use the equipment and plant safely. Regularly encourage employees to discern the workplace which may affect the safe place, and to take precautions to mitigate the risks. Not result in work related fatality during the reporting period.

OPERATIONAL MANAGEMENT

The Group attaches great importance to product quality. The Group carries out long-term quality monitoring and regular reviews on all suppliers, assessment of qualified suppliers to made the “Qualified Supplier List” and only make purchases in the list. In case of a significant change in supplier qualification or serious quality issue, the Company stops the supplier delivery immediately, ensure the product quality.

ANTI-CORRUPTION

In strict compliance with national laws and regulations and its internal policies, The Group requires its employees abstaining from such misconducts as offering or accepting bribery and corruption in any circumstance.

Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 34.

The directors do not recommend the payment of a dividend for the year ended 31 December 2021.

INVESTMENT PROPERTIES

The investment properties held by the Group were revalued at 31 December 2021, resulting in a net increase in fair value of HK\$684,000, which has been debited directly to profit or loss.

Details of these and other movements of investment properties of the Group are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$28,071,000 on additions to production and other facilities. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2021 represent the aggregate of share premium, special reserve and accumulated losses which amounted to approximately HK\$214,674,000 (2020: HK\$230,385,000). Under the Companies Law in the Cayman Islands and the provisions of the Memorandum and Articles of Association of the Company, all reserves of the Company are available for distribution to shareholders, either by way of dividend or bonus issue of shares, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

Directors' Report

DIRECTORS

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

Executive directors:

Lee Tat Hing (Chairman)
Fung Mei Po (Vice Chairperson and Chief Executive Officer)
Lee Chun Sing (Vice Chairman)
Lee Kwok Sing Stanley

Non-executive director:

Cheung Tze Man Edward

Independent non-executive directors:

Tsui Chi Him Steve
Ho Tak Kay
Hui Chi Kuen Thomas
Shang Sze Ming (Resigned on 31 October 2021)

In accordance with Article 116 of the Company's Articles of Association, Mr. Lee Tat Hing, Ms. Fung Mei Po and Mr. Lee Chun Sing retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE AGREEMENTS

All directors have entered into service agreements with the Company for a term of three years, the details are as follows:

Name of directors	Date of commencement	Date of Expiration
Mr. Lee Tat Hing	18 June 2019	17 June 2022
Ms. Fung Mei Po	12 June 2020	11 June 2023
Mr. Lee Chun Sing	12 June 2020	11 June 2023
Mr. Lee Kwok Sing Stanley	25 June 2021	24 June 2024
Mr. Cheung Tze Man Edward	12 June 2020	11 June 2023
Mr. Tsui Chi Him Steve	12 June 2020	11 June 2023
Mr. Ho Tak Kay	6 September 2020	5 September 2023
Mr. Hui Chi Kuen Thomas	6 September 2020	5 September 2023
Mr. Shang Sze Ming (Resigned on 31 October 2021)	1 November 2018	31 October 2021

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

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

Name of directors	Number of issued ordinary shares held				Total	Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests		
Lee Tat Hing	14,256,072	58,121,087 (a)	28,712,551 (c)	280,895,630 (d)	381,985,340	49.22%
Fung Mei Po	58,121,087	42,968,623 (b)	-	280,895,630 (d)	381,985,340	49.22%
Lee Chun Sing	34,315,830	2,526,000 (e)	-	280,895,630 (d)	317,737,460	40.94%
Lee Kwok Sing Stanley	2,481,280	-	-	280,895,630 (d)	283,376,910	36.51%
Hui Chi Kuen Thomas	1,300,000	-	-	-	1,300,000	0.17%
Tsui Chi Him Steve	1,200,000	-	-	-	-	0.15%
Cheung Tze Man Edward	2,000,000	-	-	-	2,000,000	0.26%

Notes:

- (a) Mr. Lee Tat Hing is the husband of Ms. Fung Mei Po whose personal interests are therefore also the family interests of Mr. Lee Tat Hing.
- (b) Ms. Fung Mei Po is the wife of Mr. Lee Tat Hing whose personal and corporate interests are therefore also the family interests of Ms. Fung Mei Po.
- (c) The shares are held by Lees International Investments Limited, a company wholly owned by Mr. Lee Tat Hing. Mr. Lee Tat Hing is the sole director of Lees International Investments Limited.
- (d) 280,895,630 shares are wholly owned by a discretionary trust company namely Goldhill Profits Limited of which Mr. Lee Tat Hing, Ms. Fung Mei Po, Mr. Lee Chun Sing and Mr. Lee Kwok Sing Stanley and other persons who are not directors and chief executive of the Company are the beneficiaries of the Company. Mr. Lee Tat Hing is the sole director of Goldhill Profits Limited.
- (e) The shares are held by Ms. Lai Lai Wah, the wife of Mr. Lee Chun Sing whose personal interests are also the family interests of Mr. Lee Chun Sing.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES – *continued*

At 31 December 2021, the following directors had personal interests in the deferred non-voting shares of certain subsidiaries of the Company:

Name of director	Name of subsidiary	Number of deferred non-voting shares held
Fung Mei Po	World Home Linen Manufacturing Company Limited	100

The deferred shares do not carry any rights to vote at general meetings of these subsidiaries or to participate in any distributions of profits until the profits of these subsidiaries which are available for dividend exceed HK\$10 billion, or to receive a return of capital until a total sum of HK\$10 billion has been distributed to the ordinary shareholders of each of these subsidiaries.

At 31 December 2021, save as aforesaid and options holdings disclosed under the heading of “Share Options and Directors’ Rights to Acquire Shares or Debentures” and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors, chief executives or their associates had any interests or short positions in the shares or any securities of the Company and its associated corporations.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests in shares disclosed above in respect of the directors of the Company, the Company has not been notified of any other interests representing 5 percent or more of the Company’s issued share capital as at 31 December 2021.

SHARE OPTIONS AND DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company’s share option scheme are set out in note 31 to the consolidated financial statements.

Directors' Report

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – *continued*

Particulars of the Company's share option scheme are set out in note 31 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercise price HK\$	Exercisable period (Note 1)	Outstanding as at 31.12.2020	Exercised during the year	Lapsed during the year	Outstanding as at 31.12.2021	Weighted average closing price immediately before exercise HK\$
Category 1: Directors								
Lee Tat Hing	01.09.2015	0.580	01.09.2015 to 31.08.2025	6,500,000	-	-	6,500,000	-
	22.12.2020	0.357	22.12.2020 to 21.12.2030	7,500,000	-	-	7,500,000	-
Fung Mei Po	22.12.2020	0.357	22.12.2020 to 21.12.2030	7,500,000	-	-	7,500,000	-
Lee Chun Sing	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000	(6,500,000)	-	-	0.83
	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000	-	-	3,000,000	-
	22.12.2020	0.357	22.12.2020 to 21.12.2030	5,000,000	-	-	5,000,000	-
Lee Kwok Sing Stanley	12.11.2012	0.309	12.11.2012 to 11.11.2022	4,500,000	-	-	4,500,000	-
	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000	-	-	3,000,000	-
	22.12.2020	0.357	22.12.2020 to 21.12.2030	1,100,000	-	-	1,100,000	-
Cheung Tze Man Edward	01.09.2015	0.580	01.09.2015 to 31.08.2025	500,000	-	-	500,000	-
Tsui Chi Him Steve	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	-	-	300,000	-
Hui Chi Kuen Thomas	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	-	-	300,000	-
Ho Tak Kay	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000	-	(600,000)	-	-
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000	-	-	600,000	-
	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	-	-	300,000	-
Shang Sze Ming (Resigned on 31 October 2021)	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	(300,000)	-	-	0.67
Category 2: Employees								
	24.10.2011	0.237	24.10.2011 to 23.10.2021	2,000,000	(2,000,000)	-	-	0.84
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,000,000	(1,000,000)	-	5,000,000	0.85
	01.09.2015	0.580	01.09.2015 to 31.08.2025	9,100,000	-	-	9,100,000	-
	22.12.2020	0.357	22.12.2020 to 21.12.2030	5,700,000	(2,000,000)	-	3,700,000	0.84
				<u>70,300,000</u>	<u>(11,800,000)</u>	<u>(600,000)</u>	<u>57,900,000</u>	

Note 1: These share options are exercisable, starting from the date of options granted for a period of 10 years.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – *continued*

Other than as disclosed above, 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance subsisting to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for 13.5% and 32.9%, respectively, of the Group's turnover for the year.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for 11.3% and 32.4%, respectively, of the Group's purchases for the year.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owns more than 5% of the Company's issued share capital has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

Other than the share options as disclosed above, the Company had no convertible securities, options, warrants or other similar rights in issue during the year or at 31 December 2021.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

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

The Company had adopted a share option scheme as an incentive to directors and eligible employees, details of which are set out in note 31 to the consolidated financial statements.

Directors' Report

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of the independency pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2021.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$318,000.

AUDITOR

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

On behalf of the Board

Lee Tat Hing

CHAIRMAN

Hong Kong

29 March 2022



TO THE SHAREHOLDERS OF WORLD HOUSEWARE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of World Houseware (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 34 to 123, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Independent Auditor's Report

Key Audit Matters – continued

Key audit matter

How our audit addressed the key audit matter

Valuation of Compensated Properties included in long-term other assets

We identified the valuation of the Compensated Properties included in the consideration for the disposal of the Group's land and building arising from the Redevelopment Project (details in note 19) as a key audit matter due to the significant estimation required by the management in assessing the fair value of the Compensated Properties.

As disclosed in note 19 to the consolidated financial statements, the Group disposed the land and building under a Redevelopment Project and part of the consideration included certain residential or commercial properties (the "Compensated Properties") to be received upon the completion of Redevelopment Project. The fair value of the Compensated Properties to be received is based on the valuations performed by an independent firm of qualified professional property valuer (the "Valuer"). The valuations was determined based on direct comparison method making reference to market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties. Other key inputs and significant assumptions which involve judgements, included discount rate and time to completion. As at 31 December 2021, the carrying amount of the Compensated Properties is HK\$1,760,605,000.

Our procedures in relation to evaluating the valuation of the compensated properties included:

- Understanding the key controls relating to the valuation assessment process used by the management including the fair value calculation;
- Evaluating the competence, capabilities and objectivity of the Valuer;
- Understanding the Valuer's valuation basis and methodology, the performance of the property markets, significant assumptions adopted and key inputs used in the valuations; and
- Assessing the reasonableness of key inputs and significant assumptions used in the valuations by 1) comparing to relevant market information of transaction prices in other similar properties in the neighborhood, 2) assessing the estimated time to completion with the latest available information and 3) benchmarking the discount rates against historical data, market trend and applicable market yields, with the involvement of our valuation specialists.

Independent Auditor's Report

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – *continued*

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

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

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – *continued*

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

The engagement partner on the audit resulting in the independent auditor's report is Au Mei Yin.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Turnover	5	878,030	817,298
Cost of sales		(728,606)	(649,867)
Gross profit		149,424	167,431
Other income	6	10,176	21,612
Other gains and losses	7	(6,292)	(26,155)
Gain arising from changes in fair value of long-term other assets	19	63,392	207,210
Selling and distribution costs		(74,898)	(81,096)
Administrative expenses		(104,189)	(111,933)
Impairment losses reversed (recognised) under expected credit loss model, net of reversal	8	20,165	(26,180)
Impairment loss recognised on property, plant and equipment		-	(34,634)
Finance costs	9	(19,190)	(19,470)
Profit before taxation		38,588	96,785
Taxation credit (charge)	10	5,434	(27,801)
Profit for the year	11	44,022	68,984
Other comprehensive income item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		37,204	90,581
Total comprehensive income for the year		81,226	159,565
		HK cents	HK cents
Earnings per share	14		
Basic		5.73	9.03
Diluted		5.53	9.01

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Investment properties	15	36,419	35,735
Property, plant and equipment	16	357,723	372,656
Right-of-use assets	17	58,260	59,243
Deposits paid for acquisition of property, plant and equipment		15,788	16,849
Deposit and prepayments for a life insurance policy	18	48,006	48,490
Long-term prepayment	19	10,750	10,750
Long-term other assets	19	1,804,094	1,741,890
		2,331,040	2,285,613
Current assets			
Inventories	20	206,787	157,274
Trade and other receivables	21	383,768	331,550
Contract assets	22	8,804	9,507
Taxation recoverable		565	541
Pledged bank deposits	23	6,162	6,162
Bank balances and cash	23	843,431	119,949
		1,449,517	624,983
Current liabilities			
Trade and other payables	24	1,072,759	303,510
Contract liabilities	25	6,960	9,940
Amounts due to directors	26	24,760	30,492
Taxation payable		-	6,312
Lease liabilities	27	-	613
Secured bank borrowings	28	208,039	197,110
		1,312,518	547,977
Net current assets		136,999	77,006
Total assets less current liabilities		2,468,039	2,362,619
Non-current liabilities			
Amounts due to directors	26	151,300	137,578
Deposits received	19	125,233	118,186
Deferred taxation	29	251,915	252,658
		528,448	508,422
Net assets		1,939,591	1,854,197

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Capital and reserves			
Share capital	30	77,612	76,432
Reserves		1,861,979	1,777,765
Total equity		<u>1,939,591</u>	<u>1,854,197</u>

The consolidated financial statements on pages 34 to 123 were approved and authorised for issue by the Board of Directors on 29 March 2022 and are signed on its behalf by:

LEE TAT HING
CHAIRMAN

FUNG MEI PO
*VICE-CHAIRPERSON
AND
CHIEF EXECUTIVE OFFICER*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Non- distributable reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Share option reserve HK\$'000	Translation reserve HK\$'000	PRC statutory surplus reserve HK\$'000 (Note c)	Retained profits HK\$'000	
At 1 January 2020	76,432	343,659	251,393	9,910	9,505	188,677	43,064	766,388	1,689,028
Profit for the year	-	-	-	-	-	-	-	68,984	68,984
Other comprehensive income for the year	-	-	-	-	-	90,581	-	-	90,581
Total comprehensive income for the year	-	-	-	-	-	90,581	-	68,984	159,565
Recognition of equity-settled share-based payments	-	-	-	-	5,604	-	-	-	5,604
Transfers	-	-	-	-	-	-	3,835	(3,835)	-
At 31 December 2020	76,432	343,659	251,393	9,910	15,109	279,258	46,899	831,537	1,854,197
Profit for the year	-	-	-	-	-	-	-	44,022	44,022
Other comprehensive income for the year	-	-	-	-	-	37,204	-	-	37,204
Total comprehensive income for the year	-	-	-	-	-	37,204	-	44,022	81,226
Deemed contribution arising from cashflow estimates on amount due to a director	-	-	-	435	-	-	-	-	435
Exercise of share options	1,180	4,331	-	-	(1,832)	-	-	54	3,733
Release of lapsed share options	-	-	-	-	(62)	-	-	62	-
Transfers	-	-	-	-	-	-	2,533	(2,533)	-
At 31 December 2021	77,612	347,990	251,393	10,345	13,215	316,462	49,432	873,142	1,939,591

Notes:

- The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries.
- The capital reserve of the Group arose from deemed contribution from the owners of the Company (note 26).
- As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to maintain a statutory surplus reserve fund. Statutory surplus reserve fund is non-distributable. Appropriations to such reserve are made out of net profit after taxation of the PRC subsidiaries at the discretion of its board of directors. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied to convert into capital by means of capitalisation issue.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	38,588	96,785
Adjustments for:		
Bank interest income	(103)	(73)
COVID-19 related rent concessions	–	(1,380)
Depreciation of property, plant and equipment	41,906	42,581
Depreciation of right-of-use assets	2,602	4,057
Foreign exchange difference on inter-company balances	9,615	21,525
Gain arising from changes in fair value of long-term other assets	(63,392)	(207,210)
(Gain) loss arising from changes in fair value of investment properties	(684)	1,825
Loss on disposal/write-off of property, plant and equipment	9,096	1,536
Loss on disposal of right-of-use assets	–	151
Impairment loss recognised on property, plant and equipment	–	34,634
Impairment loss (reversed) recognised on trade receivables	(20,165)	26,353
Interest income from a deposit placed for a life insurance policy	(1,205)	(1,180)
Impairment loss reversed on other receivables	–	(173)
Imputed interest income from compensation income receivables from Redevelopment Project	(2,866)	(4,063)
Finance costs	19,190	19,470
Premium charges on a life insurance policy	1,640	1,595
Share-based payments	–	5,604
Operating cash flows before movements in working capital	34,222	42,037
(Increase) decrease in inventories	(44,391)	12,155
Increase in trade and other receivables	(20,147)	(6,322)
Decrease in contract assets	989	541
(Decrease) increase in trade and other payables	(96,342)	63,078
Decrease in contract liabilities	(3,200)	(6,678)
Net cash (used in) generated from operations	(128,869)	104,811
Income tax paid in the PRC	(5,289)	(3,337)
Withholding tax paid	(501)	(2,223)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(134,659)	99,251

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021	2020
	HK\$'000	HK\$'000
INVESTING ACTIVITIES		
Compensation receipt in advance for land resumption	837,939	–
Compensation received from Redevelopment Project	20,655	25,457
Proceeds from disposal of property, plant and equipment	1,103	1,428
Interest received	103	73
Purchase of property, plant and equipment	(23,867)	(29,500)
Proceed from disposal of right-of-use assets	–	750
Deposits paid for acquisition of property, plant and equipment	–	(535)
	<hr/>	<hr/>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	835,933	(2,327)
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Bank loans raised	104,666	94,047
Net increase (decrease) in trust receipts and import loans	12,265	(13,958)
Advances from directors	5,810	13,802
Exercise of share options	3,733	–
Repayments of bank loans	(108,572)	(104,071)
Interest paid	(6,351)	(7,582)
Repayments of lease liabilities	(613)	(1,977)
	<hr/>	<hr/>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	10,938	(19,739)
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	712,212	77,185
CASH AND CASH EQUIVALENTS AT 1 JANUARY	119,949	40,769
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	11,270	1,995
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH	843,431	119,949
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. GENERAL INFORMATION

World Houseware (Holdings) Limited (the “Company”) is a public limited company incorporated in the Cayman Islands, which is under the Companies Law of the Cayman Islands and registered as an exempted company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate controlling parties are Mr. Lee Tat Hing and his spouse, Ms. Fung Mei Po, who are also the Chairman and Chief Executive Officer of the Company, respectively. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 41.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

Amendments to HKFRSs that are mandatorily effective for the current year – *continued*

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

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

As at 1 December 2021 and 31 December 2021, the Group has certain banks loans with the interests of which are indexed to Hong Kong Interbank Offered Rate (“HIBOR”) as benchmark rate that may be subject to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 36.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

New and amendments to HKFRSs in issue but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

New and amendments to HKFRSs in issue but not yet effective – *continued*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.

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

3.1 Basis of preparation of consolidated financial statements

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.1 Basis of preparation of consolidated financial statements – *continued*

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and long-term other assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

For long-term other assets and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Revenue from contracts with customers

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Revenue from contracts with customers – continued

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

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

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

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

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

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

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

Output method

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Revenue from contracts with customers – continued

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). 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.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Property, plant and equipment – *continued*

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

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

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

Leases

Definition of a lease

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases – *continued*

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases – continued

The Group as a lessee – continued

Right-of-use assets – continued

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets 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.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases – continued

The Group as a lessee – continued

Lease liabilities – continued

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

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

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

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

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases – continued

The Group as a lessee – continued

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

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

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

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Leases – *continued*

The Group as a lessor – continued

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Lease modification

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Foreign currencies – continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) in Hong Kong and retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” because 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 temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition 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 associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Taxation – *continued*

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognised in profit or loss.

Long-term other assets

Long-term other assets, representing compensated properties and comprehensive income receivable, are initially measured at fair value and subsequently at fair value through profit or loss (“FVTPL”).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Impairment on property, plant and equipment and right-of-use assets – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

Amortised cost and interest income

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including compensation income receivables included in long-term other assets, trade and other receivables, contract assets, pledged bank deposit and bank balances), and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively based on internal credit rating.

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

Significant increase in credit risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets – *continued*

Significant increase in credit risk – *continued*

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

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

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

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:

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

Write-off policy

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets – *continued*

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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial assets – continued

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to directors, secured bank borrowings and deposits received are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Financial instruments – *continued*

Financial liabilities and equity – *continued*

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – *continued*

3.2 Significant accounting policies – *continued*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees, directors and non-executive directors

Equity-settled share based payments to employees, directors and non-executive directors are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty

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

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, for trade receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 8, 21 and 36 respectively.

Valuation of Compensated Properties included in long-term other assets (as defined in note 19)

The Compensated Properties included in long-term other assets of HK\$1,760,605,000 at 31 December 2021 (2020: HK\$1,682,013,000) are measured at fair value. The amount was based on a valuation conducted by Asset Appraisal Limited, an independent firm of qualified professional property valuer (the "Valuer"). The valuations was determined based on direct comparison method making reference to market observable transactions of similar properties and adjust to reflect the conditions and locations of the Compensated Properties. Other key inputs and significant assumptions which involve judgements, included discount rate and time to completion.

The basis of valuation is disclosed in note 19. Changes to these assumptions and inputs would result in changes in the fair value of the Compensated Properties and corresponding adjustments to the amount of gain or loss reported in the profit or loss.

In estimating the fair value of the Compensated Properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages the Valuer to perform the valuation of the Group's Compensated Properties included in long-term other assets. At the end of the reporting period, the designated team works closely with the Valuer to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. When there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty – continued

Deferred tax asset

As at 31 December 2021, a deferred tax asset of HK\$8,561,000 (2020: HK\$8,442,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK\$357,701,000 (2020: HK\$350,805,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Estimated impairment loss of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. The amount of allowance would be changed as a result of the changes in the current market conditions subsequently.

The carrying amount of inventories at 31 December 2021 is HK\$206,787,000 (net of allowance for inventories of HK\$2,777,000) (2020: HK\$157,274,000 (net of allowance for inventories of HK\$2,705,000 and write-off of inventories of HK\$2,084,000)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. TURNOVER AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. This is also the basis upon which the Group is arranged and organised.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segment" are as follows:

Household products	–	manufacture and distribution of household products
PVC pipes and fittings	–	manufacture and distribution of PVC pipes and fittings
Property investments	–	investment in properties
Food waste recycling	–	food waste recycling business

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment turnover and results

The following is an analysis of the Group's turnover and results by operating and reportable segments.

For the year ended 31 December 2021

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Consolidated HK\$'000
Turnover				
Sales of goods recognised at a point in time	158,458	706,346	–	864,804
Revenue from contracts with customers	158,458	706,346	–	864,804
Rental income	5,318	6,633	1,275	13,226
Total segment revenue	163,776	712,979	1,275	878,030
Segment (loss) profit	(15,778)	35,000	77,302	96,524
Bank interest income				103
Interest income from a deposit placed for a life insurance policy				1,205
Finance costs				(19,190)
Premium charges on a life insurance policy				(1,640)
Unallocated corporate expenses				(38,414)
Profit before taxation				38,588

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. TURNOVER AND SEGMENT INFORMATION – continued

Segment turnover and results – continued

For the year ended 31 December 2020

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Food waste recycling HK\$'000	Consolidated HK\$'000
Turnover					
Sales of goods recognised at a point in time	172,663	634,641	–	–	807,304
Service income recognised over time	–	–	–	1,924	1,924
Revenue from contracts with customers	172,663	634,641	–	1,924	809,228
Rental income	2,083	2,677	3,310	–	8,070
Total segment revenue	174,746	637,318	3,310	1,924	817,298
Segment profit (loss)	3,735	(49,669)	213,456	(15,374)	152,148
Bank interest income					73
Interest income from a deposit placed for a life insurance policy					1,180
Finance costs					(19,470)
Premium charges on a life insurance policy					(1,595)
Unallocated corporate expenses					(35,551)
Profit before taxation					96,785

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of bank interest income, interest income from a deposit placed for a life insurance policy, finance costs, premium charges on a life insurance policy and unallocated corporate expenses including directors' remuneration paid or payable by the Company and certain administrative expenses for corporate use. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. TURNOVER AND SEGMENT INFORMATION – *continued*

Segment turnover and results – *continued*

Performance obligations for contracts with customers

(a) *Manufacture and distribution of household products*

The Group sells household products to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to customers. When the customer initially place sales order and consideration received by the Group is recognised as a contract liability until the goods have been delivered to the customer. The normal credit term is up to 60 days upon delivery.

(b) *Manufacture and distribution of PVC pipes and fittings*

The Group sells PVC pipes and fittings to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to customers. When the customer initially place sales order and consideration received by the Group is recognised as a contract liability until the goods have been delivered to the customer. The normal credit term is up to 180 days upon delivery.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which is usually one year from the date of the delivery. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the products supplied comply with agreed-upon specifications and such assurance cannot be purchased separately.

(c) *Food waste recycling business*

The Group provides food waste collection and recycling services to customers. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these services based on the stage of completion of the contract using output method. The operation of this segment was discontinued in the year ended 31 December 2020.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. TURNOVER AND SEGMENT INFORMATION – continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Consolidated HK\$'000	
At 31 December 2021					
Assets					
Segment assets	255,342	727,885	1,840,514	2,823,741	
Unallocated assets				956,816	
Consolidated total assets				<u>3,780,557</u>	
Liabilities					
Segment liabilities	64,202	172,721	375,957	612,880	
Unallocated liabilities				1,228,086	
Consolidated total liabilities				<u>1,840,966</u>	
	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Food waste recycling HK\$'000	Consolidated HK\$'000
At 31 December 2020					
Assets					
Segment assets	254,827	640,338	1,777,625	2,038	2,674,828
Unallocated assets					235,768
Consolidated total assets					<u>2,910,596</u>
Liabilities					
Segment liabilities	50,106	252,611	369,557	3,921	676,195
Unallocated liabilities					380,204
Consolidated total liabilities					<u>1,056,399</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. TURNOVER AND SEGMENT INFORMATION – continued

Segment assets and liabilities – continued

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets are allocated to operating segments other than deposit and prepayments for a life insurance policy, taxation recoverable, pledged bank deposits, bank balances and cash as well as certain leasehold land and buildings where such buildings are provided to group directors as residential accommodation (see note 12(i)).
- all liabilities are allocated to operating segments other than amounts due to directors, taxation payable, secured bank borrowings, certain lease liabilities and accruals of administrative expenses in head office.

Other segment information

For the year ended 31 December 2021

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to property, plant and equipment	7,048	21,023	-	28,071	-	28,071
Depreciation of property, plant and equipment	14,666	25,300	-	39,966	1,940	41,906
Depreciation of right-of-use assets	1,176	1,426	-	2,602	-	2,602
Impairment loss reversed on trade receivables	-	(20,165)	-	(20,165)	-	(20,165)
Net foreign exchange loss	4,357	5,040	-	9,397	-	9,397
Loss on disposal/write-off of property, plant and equipment	69	9,027	-	9,096	-	9,096
Gain arising from changes in fair value of investment properties	-	-	(684)	(684)	-	(684)
Gain arising from changes in fair value of long-term other assets	-	-	(63,392)	(63,392)	-	(63,392)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. TURNOVER AND SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31 December 2020

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investments HK\$'000	Food waste recycling HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Addition to property, plant and equipment	8,972	25,905	-	-	34,877	-	34,877
Depreciation of property, plant and equipment	4,966	28,646	-	7,029	40,641	1,940	42,581
Depreciation of right-of-use assets	816	1,319	-	1,922	4,057	-	4,057
Impairment loss recognised on trade receivables	-	26,018	-	335	26,353	-	26,353
Impairment loss reversed on other receivables	-	(173)	-	-	(173)	-	(173)
Net foreign exchange loss	14,913	7,430	-	300	22,643	-	22,643
Loss (gain) on disposal/write-off of property, plant and equipment	2,756	169	-	(1,389)	1,536	-	1,536
Loss on disposal of right-of-use assets	151	-	-	-	151	-	151
Loss arising from changes in fair value of investment properties	-	-	1,825	-	1,825	-	1,825
Gain arising from changes in fair value of long-term other assets	-	-	(207,210)	-	(207,210)	-	(207,210)

Geographical information

More than 90% of the sales of the Group's household products were made to customers in the United States of America.

More than 90% of the sales of the Group's PVC pipes and fittings made to customers in the PRC.

More than 90% of the Group's non-current assets are located in the PRC. Accordingly, no non-current assets by geographical location is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. TURNOVER AND SEGMENT INFORMATION – continued

Information about major customer

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

	Year ended	
	2021 HK\$'000	2020 HK\$'000
Customer A ¹	118,665	N/A ²

¹ Revenue from PVC pipes and fittings

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Bank interest income	103	73
Courier and transportation income	813	2,035
Imputed interest income from compensation income receivables from Redevelopment Project (note 19)	2,866	4,063
Interest income from a deposit placed for a life insurance policy	1,205	1,180
Government grants (Note)	4,898	10,646
COVID-19 related rent concessions	–	1,380
Others	291	2,235
	10,176	21,612

Note: The amounts mainly represent the incentives granted by the relevant PRC government authorities to the Group for recognition of establishment of environmental friendly manufacturing factories by enhancing energy efficiency during the manufacturing process.

During the year ended 31 December 2020, the Group recognised government grants of HK\$2,104,000 in respect of COVID-19-related subsidies, of which HK\$1,944,000 relates to Employment Support Scheme provided by the Hong Kong government.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. OTHER GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000
Net foreign exchange loss	(9,397)	(22,643)
Gain (loss) arising from changes in fair value of investment properties	684	(1,825)
Loss on disposal/write-off of property, plant and equipment	(9,096)	(1,536)
Loss on disposal of right-of-use assets	–	(151)
Recovery of trade receivables previously written off	11,517	–
	<u>(6,292)</u>	<u>(26,155)</u>

8. IMPAIRMENT LOSSES REVERSED (RECOGNISED) UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 HK\$'000	2020 HK\$'000
Impairment losses reversed (recognised) on:		
Trade receivables	20,165	(26,353)
Other receivables	–	173
	<u>20,165</u>	<u>(26,180)</u>

Details of impairment assessment are set out in note 36.

9. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on:		
– secured bank borrowings	7,368	8,669
– lease liabilities	–	104
Interest/imputed interest on:		
– amounts due to directors	4,546	4,168
– Deposits Received from Redevelopment Project (note 19)	7,276	6,529
	<u>19,190</u>	<u>19,470</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. TAXATION (CREDIT) CHARGE

	2021 HK\$'000	2020 HK\$'000
PRC Enterprise Income Tax ("EIT")		
– charge for the year	517	6,343
– overprovision in prior years	(1,865)	(2,566)
– withholding tax on profits of a non-resident in the PRC	–	1,058
	<u>(1,348)</u>	<u>4,835</u>
Deferred taxation (credit) charge (note 29)		
– (credit) charge for the year	(10,152)	18,734
– withholding tax on profits of a non-resident in the PRC	6,066	4,232
	<u>(4,086)</u>	<u>22,966</u>
Total	<u><u>(5,434)</u></u>	<u><u>27,801</u></u>

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

PRC withholding income tax of 10% shall be levied on the income earned in the PRC by a foreign subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. TAXATION (CREDIT) CHARGE – *continued*

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

	2021	2020
	HK\$'000	HK\$'000
Profit before taxation	38,588	96,785
Taxation charge at the domestic income tax rate of 25%	9,647	24,196
Tax effect of expenses not deductible for tax purpose	11,374	29,533
Tax effect of income not taxable for tax purpose	(32,130)	(30,899)
Tax effect of tax losses not recognised as deferred tax asset	9,778	8,807
Withholding tax on profits of a non-resident in the PRC	6,066	5,290
Income tax on concessionary rate (Note a)	(1,137)	(2,295)
Utilisation of tax losses previously not recognised as deferred tax asset	(4,025)	(4,265)
Overprovision in prior years	(1,865)	(2,566)
Additional deduction for qualified research and development cost (Note b)	(3,142)	–
Taxation (credit) charge for the year	(5,434)	27,801

Notes:

- (a) A subsidiary which is recognised as High and New-tech Enterprise has been granted tax concessions by the local tax bureau and is entitled to PRC EIT at concessionary rate of 15% (2020: 15%) for the year ended 31 December 2021.
- (b) Under the PRC Corporate Income Tax Law and its relevant regulations, additional tax deduction is allowed for qualified research and development costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11. PROFIT FOR THE YEAR

	2021	2020
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 12)	18,239	25,990
Other staff's salaries and wages	72,955	73,789
Other staff's retirement benefit scheme contributions	2,490	1,713
Share-based payments	–	1,192
	<hr/>	<hr/>
Total staff costs	93,684	102,684
	<hr/>	<hr/>
Depreciation of property, plant and equipment	41,906	42,581
Depreciation of right-of-use assets	2,602	4,057
	<hr/>	<hr/>
Total depreciation	44,508	46,638
	<hr/>	<hr/>
Auditors' remuneration	2,858	2,705
Cost of inventories recognised as an expense	728,606	649,867
Premium charges on a life insurance policy	1,640	1,595
and after crediting:		
Gross rental income from investment properties	1,275	3,310
Less: direct operating expenses that generated rental income	(253)	(238)
	<hr/>	<hr/>
	1,022	3,072
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

- (i) Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the CO, is as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000 (Note)	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
2021					
Executive directors:					
Lee Tat Hing	-	6,779	1,929	-	8,708
Fung Mei Po	-	3,180	-	18	3,198
Lee Chun Sing	-	3,180	-	18	3,198
Lee Kwok Sing Stanley	-	2,160	-	18	2,178
Non-executive director:					
Cheung Tze Man Edward	198	-	-	-	198
Independent non-executive directors:					
Tsui Chi Him Steve	198	-	-	-	198
Hui Chi Kuen Thomas	198	-	-	-	198
Ho Tak Kay	198	-	-	-	198
Shang Sze Ming	165	-	-	-	165
	957	15,299	1,929	54	18,239

Notes to the Consolidated Financial Statements

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12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *continued*

(i) Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the CO, is as follows: – *continued*

	Fees HK\$'000	Salaries and other benefits HK\$'000	Share-based payment HK\$'000	Bonus HK\$'000 (Note)	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
2020						
Executive directors:						
Lee Tat Hing	-	6,584	1,568	4,840	-	12,992
Fung Mei Po	-	3,430	1,568	-	18	5,016
Lee Chun Sing	-	3,430	1,046	-	18	4,494
Lee Kwok Sing Stanley	-	2,250	230	-	18	2,498
Non-executive director:						
Cheung Tze Man Edward	198	-	-	-	-	198
Independent non-executive directors:						
Tsui Chi Him Steve	198	-	-	-	-	198
Hui Chi Kuen Thomas	198	-	-	-	-	198
Ho Tak Kay	198	-	-	-	-	198
Shang Sze Ming	198	-	-	-	-	198
	<u>990</u>	<u>15,694</u>	<u>4,412</u>	<u>4,840</u>	<u>54</u>	<u>25,990</u>

Note: The bonus is calculated at 5% of the Group's consolidated profit before taxation.

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

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *continued*

(i) Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the CO, is as follows: – *continued*

Ms. Fung Mei Po is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

In addition to the amount disclosed above, during the year, the Group also provided one of its leasehold properties in Hong Kong as residential accommodation for Mr. Lee Tat Hing and Ms. Fung Mei Po. The estimated monetary value of such accommodation, using the ratable value as an approximation, amounted to HK\$1,685,000 (2020: HK\$1,685,000) for the year.

(ii) Information regarding employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2020: four) were directors including the Chief Executive of the Company whose emoluments are included in the disclosures in (i) above. The emoluments of the remaining one (2020: one) individual is as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	2,160	2,250
Retirement benefit scheme contributions	18	18
Share-based payment	–	230
	<u>2,178</u>	<u>2,498</u>

The emoluments was within the following bands:

	Number of employees	
	2021	2020
HK\$2,000,001 to HK\$2,500,000	<u>1</u>	<u>1</u>

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or Chief Executive has waived or agreed to waive any emoluments during both years.

Notes to the Consolidated Financial Statements

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13. DIVIDENDS

No final dividend was paid or proposed during both years ended 31 December 2021 and 31 December 2020, nor has dividend been proposed since the end of both reporting periods.

14. EARNINGS PER SHARE

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

	2021 HK\$'000	2020 HK\$'000
Profit for the purposes of calculating basic and diluted earnings per share	<u>44,022</u>	<u>68,984</u>
	Number of shares	
	2021	2020
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>768,239,613</u>	764,317,421
Effect of dilutive potential ordinary shares on share options	<u>28,140,915</u>	1,617,915
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>796,380,528</u>	<u>765,935,336</u>

15. INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
FAIR VALUE		
At 1 January	<u>35,735</u>	37,560
Change in fair value recognised in profit or loss	<u>684</u>	(1,825)
At 31 December	<u>36,419</u>	<u>35,735</u>

Notes to the Consolidated Financial Statements

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15. INVESTMENT PROPERTIES – *continued*

The carrying amounts of investment properties shown above comprises:

	2021	2020
	HK\$'000	HK\$'000
Properties situated in Hong Kong	24,500	23,000
Properties situated in the PRC	11,919	12,735
	36,419	35,735

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

The fair values of the Group's investment properties situated in Hong Kong and the PRC as at 31 December 2021 and 2020 have been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited, independent qualified professional valuers not connected to the Group. The fair value of investment properties situated in Hong Kong was determined based on direct comparison method making reference to comparable sales transactions as available in the relevant markets and the fair value of investment properties situated in the PRC was determined based on income capitalisation method by dividing the potential rental income of the property to be valued by the appropriate capitalisation rate.

In determining the fair value of the relevant properties, the financial controller and certain directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The financial controller works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The financial controller reports the findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets.

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

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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For the year ended 31 December 2021

15. INVESTMENT PROPERTIES – continued

Investment properties	Fair value as at 31.12.2021 HK\$'000	Fair value as at 31.12.2020 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to the fair value
Residential properties in Hong Kong	24,500	23,000	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties.	N/A	N/A
Commercial properties in the PRC	11,919	12,735	Level 3	Income capitalisation method The key inputs are: (1) Capitalisation rate; (2) Monthly rent; and (3) Level adjustment.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition which range from 4.48% to 7.33% (2020: 4.13% to 7.3%). Monthly rent, using direct market comparables and taking into account age, location and individual factors such as road frontage, size of property and layout/design which range from RMB150/sq.m. to RMB160/sq.m. (2020: RMB110/sq.m. to RMB170/sq.m.). Level adjustment on individual floor of the property concluding with a proportion of 0.3% to 0.9% (2020: 0.3% to 0.9%) on a base level.	The higher the capitalisation rate, the lower the fair value. The higher the monthly rent, the higher the fair value. The higher the level adjustment, the lower the fair value.

There were no transfers into or out of Level 2 or Level 3 during both years.

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST							
At 1 January 2020	553,232	39,982	77,058	22,794	534,579	43,549	1,271,194
Currency realignment	23,495	1,550	4,743	584	25,158	2,889	58,419
Additions	3,525	2,026	375	–	4,931	24,020	34,877
Disposals/write-off	(93,266)	(123)	–	(4,518)	(32,353)	–	(130,260)
Reclassification	31,613	1,742	7,492	1,700	19,074	(61,621)	–
Transfer from right-of-use assets	–	–	–	2,522	–	–	2,522
At 31 December 2020	518,599	45,177	89,668	23,082	551,389	8,837	1,236,752
Currency realignment	11,663	769	2,357	305	12,310	244	27,648
Additions	5,677	592	2,929	–	1,437	17,436	28,071
Disposals/write-off	(23)	(2,179)	–	(1,817)	(16,667)	–	(20,686)
Reclassification	696	115	1,835	1,375	11,308	(15,329)	–
At 31 December 2021	536,612	44,474	96,789	22,945	559,777	11,188	1,271,785
DEPRECIATION AND IMPAIRMENT							
At 1 January 2020	360,091	31,847	59,836	19,845	412,346	–	883,965
Currency realignment	8,248	1,120	3,902	418	14,474	–	28,162
Provided for the year	21,069	2,917	4,331	721	13,543	–	42,581
Eliminated on disposal/write-off	(93,133)	(122)	–	(4,165)	(29,876)	–	(127,296)
Impairment loss recognised in profit or loss	–	–	–	–	34,634	–	34,634
Transfer from right-of-use assets	–	–	–	2,050	–	–	2,050
At 31 December 2020	296,275	35,762	68,069	18,869	445,121	–	864,096
Currency realignment	7,672	549	1,849	163	8,314	–	18,547
Provided for the year	23,677	2,520	6,086	1,049	8,574	–	41,906
Eliminated on disposal/write-off	(11)	(740)	–	(1,797)	(7,939)	–	(10,487)
At 31 December 2021	327,613	38,091	76,004	18,284	454,070	–	914,062
CARRYING VALUES							
At 31 December 2021	208,999	6,383	20,785	4,661	105,707	11,188	357,723
At 31 December 2020	222,324	9,415	21,599	4,213	106,268	8,837	372,656

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16. PROPERTY, PLANT AND EQUIPMENT – *continued*

The cost of leasehold land and buildings is depreciated over the shorter of the term of the lease or twenty-five to fifty years on a straight line basis.

The other items of property, plant and equipment, other than construction in progress, are depreciated on a reducing balance basis, at the following rates per annum:

Furniture, fixtures and equipment	18 – 20%
Leasehold improvements	Over shorter of the term of leases or 20%
Motor vehicles	20%
Plant and machinery	9 – 20%

The construction in progress comprise properties located in the PRC under medium-term lease.

Impairment assessment

During the year ended 31 December 2021, there was no indication for impairment on property, plant and equipment and right-of-use assets relating to the PVC pipes and fitting segment.

During the year ended 31 December 2020, the management performed an impairment assessment on certain property, plant and equipment and right-of-use assets relating to the PVC pipes and fittings segment (the “CGU”) with aggregate carrying amount of HK\$215,810,000 as the management concluded there was indication for impairment due to the outbreak of COVID-19 during the year.

The recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years with a pre-tax discount rate of 16% as at 31 December 2020. The annual growth rate used is 2.5% to 3.5%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using 2.5% growth rate which do not exceed the average growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include expected changes in selling prices and direct costs, such estimation is based on the unit’s past performance and management’s expectations for the market development.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. During the year ended 31 December 2020, based on the value in use calculation and the allocation, an impairment of HK\$34,634,000 has been recognised against the carrying amount of plant and machinery in property, plant and equipment as the fair value less cost of disposal of other categories of property, plant and equipment and right-of-use assets are above their carrying amounts.

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For the year ended 31 December 2021

17. RIGHT-OF-USE ASSETS

	Leasehold lands HK\$'000	Leasehold land and buildings HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 1 January 2020	98,918	4,508	4,322	107,748
Currency realignment	6,587	–	–	6,587
Disposal	–	–	(1,800)	(1,800)
Transfer to property, plant and equipment	–	–	(2,522)	(2,522)
	105,505	4,508	–	110,013
At 31 December 2020	105,505	4,508	–	110,013
Currency realignment	2,967	–	–	2,967
	108,472	4,508	–	112,980
At 31 December 2021	108,472	4,508	–	112,980
DEPRECIATION				
At 1 January 2020	41,833	2,174	2,732	46,739
Currency realignment	2,923	–	–	2,923
Provided for the year	1,973	1,867	217	4,057
Eliminated on disposal	–	–	(899)	(899)
Transfer to property, plant and equipment	–	–	(2,050)	(2,050)
	46,729	4,041	–	50,770
At 31 December 2020	46,729	4,041	–	50,770
Currency realignment	1,348	–	–	1,348
Provided for the year	2,135	467	–	2,602
	50,212	4,508	–	54,720
At 31 December 2021	50,212	4,508	–	54,720
CARRYING VALUES				
At 31 December 2021	58,260	–	–	58,260
At 31 December 2020	58,776	467	–	59,243
			2021	2020
			HK\$'000	HK\$'000
Expense relating to short-term leases			–	112
Total cash outflow for leases			613	2,193

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several leasehold land and buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. DEPOSIT AND PREPAYMENTS FOR A LIFE INSURANCE POLICY

During the year ended 31 December 2014, a subsidiary of the Company entered into a life insurance policy (the “Policy”) with a bank to insure a director of the Company, Ms. Fung Mei Po. Under the Policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is USD20,000,000 (equivalent to HK\$155,000,000). At inception of the Policy, the Group paid a gross premium of approximately USD6,785,000 (equivalent to HK\$52,587,000). The bank will pay the Group a guaranteed interest rate of 4.2% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 2.0% per annum) during the effective period of the Policy. The Group can terminate the Policy at any time and can receive cash back at the date of termination based on the account value of the Policy (“Account Value”), which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If termination is made between the first policy year to the end of surrender period stated in the Policy, there is a specified amount of surrender charge deducted from Account Value. The directors of the Company consider that the subsidiary of the Company may terminate the Policy at the end of the tenth policy year in 2024 and accordingly, there will be a specified surrender charge of USD749,000 (equivalent to HK\$5,805,000) in accordance with the Policy.

The Policy exposes the insurer to significant insurance risk. The gross premium paid at inception of the Policy consists of a deposit placed element and a prepayment for life insurance element. These two elements are recognised on the consolidated statement of financial position at the aggregate of the amount of gross premium paid plus interest earned, and after deducting the annual cost of insurance, other applicable charges as well as the amortisation of the expected surrender charge at the end of the tenth policy year.

The directors of the Company consider that the expected life of the Policy remains unchanged from the date of initial recognition and the financial impact of the option to terminate the Policy was not significant.

As at 31 December 2021, deposit and prepayments for the life insurance policy amounts to HK\$49,695,000 (2020: HK\$50,130,000) in aggregate, of which HK\$48,006,000 (2020: HK\$48,490,000) and HK\$1,689,000 (2020: HK\$1,640,000), are classified as non-current assets and current assets, respectively.

Notes to the Consolidated Financial Statements

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19. REDEVELOPMENT PROJECT

	Fair value of compensated properties HK\$'000	Present value of compensation income receivables HK\$'000	Total HK\$'000
At 1 January 2020	1,439,851	77,581	1,517,432
Gain arising from changes in fair value of long-term other assets	207,210	–	207,210
Imputed interest income from compensation income receivables from Redevelopment Project (note 6)	–	4,063	4,063
Compensation received from Redevelopment Project	–	(25,457)	(25,457)
Exchange realignment/difference	34,952	3,690	38,642
	1,682,013	59,877	1,741,890
At 31 December 2020			
Gain arising from changes in fair value of long-term other assets	63,392	–	63,392
Imputed interest income from compensation income receivables from Redevelopment Project (note 6)	–	2,866	2,866
Compensation received from Redevelopment Project	–	(20,655)	(20,655)
Exchange realignment/difference	15,200	1,401	16,601
	1,760,605	43,489	1,804,094

Included in compensation income receivables are the following amounts denominated in currency other than the functional currency of the relevant group company:

	2021 HK\$'000	2020 HK\$'000
RMB	30,271	34,923

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19. REDEVELOPMENT PROJECT – *continued*

On 11 August 2011, one of the subsidiaries of the Company, Welidy Limited (“Welidy”), has entered into a conditional provisional removal remedy agreement (“Provisional Agreement”) with an independent third party property developer (the “Developer”) in relation to the redevelopment of a piece of land owned by the Group (the “Land”) and this Land constituted part of a redevelopment project (“Redevelopment Project”) proposed by the Developer. The factory building built on the Land is owned by another subsidiary of the Company, namely 世界塑膠餐墊(寶安)有限公司 World Plastic Mat (Baoan) Company Limited (“World (Baoan)”).

Under the Provisional Agreement, the Group agreed to surrender the Land, in the future, to the Developer for certain residential or commercial properties (the “Compensated Properties”) to be built under the Redevelopment Project (the “Transaction”).

Upon signing the Provisional Agreement, an interest-free refundable deposit amounting to RMB30,000,000 (equivalent to approximately HK\$36,675,000 (2020: HK\$35,672,000)) was received by the Group, which is refundable on the date of receipt of all the Compensated Properties (the “Compensated Properties Receipt Date”) or acknowledgement from PRC government authorities on the termination of Redevelopment Project, whichever is earlier. The Group also prepaid HK\$21,500,000 for legal and consultancy services to be provided by a PRC lawyer in respect of the Redevelopment Project and the amount is recognised as long-term prepayment in the consolidated statement of financial position (“Prepayment”). As at 31 December 2021, the carrying amount of the Prepayment amounted to HK\$10,750,000 (2020: HK\$10,750,000).

On 16 August 2017, Welidy and World (Baoan) further entered into a supplementary agreement to the Provisional Agreement (the “Supplementary Agreement”) with a fellow subsidiary of the Developer (the “Ultimate Developer”). In the Supplementary Agreement, the consideration for the Transaction have been finalised which includes the details of the Compensated Properties to be received upon completion of Redevelopment Project and unconditional and non-refundable monthly compensation income (“Compensation income”) to be received by the Group from the Ultimate Developer up to the Compensated Properties Receipt Date. Upon signing the Supplementary Agreement, further refundable deposits amounting to RMB80,000,000 (equivalent to approximately HK\$95,923,000), in which RMB30,000,000 is interest-free and RMB50,000,000 is interest bearing at 6%, were received by the Group, together with the deposit received in 2011 as mentioned above, hereinafter referred to as the “Deposits Received”.

The Transaction with the Ultimate Developer was completed on 8 August 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19. REDEVELOPMENT PROJECT – *continued*

As at 31 December 2021, the principal amount of the Deposits Received amounting to RMB110,000,000 (equivalent to approximately HK\$134,474,000) (2020: RMB110,000,000 (equivalent to approximately HK\$130,797,000)) with carrying amount of HK\$125,233,000 (2020: HK\$118,186,000). The Deposits Received is measured at amortised cost using the effective interest rate at 6% per annum.

As the fair value of the Compensated Properties changes from time to time, the carrying amount recognised by the Group would be subject to remeasurement at fair value at each subsequent reporting date prior to obtaining control of the Compensated Properties. The fair values of the Compensated Properties at the end of the reporting period have been arrived at on the basis of a valuation carried out by the Valuer not connected with the Group, in accordance with the HKIS Valuation Standards issued by Hong Kong Institute of Surveyors.

As at 31 December 2021 and 2020, the fair value of Compensated Properties was determined based on direct comparison method making reference to market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties. The market unit rate of the Compensated Properties used in the valuation was referenced to similar commercial properties, which ranged from RMB22,500 to RMB50,000 (2020: RMB22,500 to RMB50,000) and similar residential properties, which ranged from RMB42,000 (2020: RMB42,000). Market unit rate, which mainly taking into account of the time, location, frontage and size are considered as significant unobservable input. A significant increase in the market unit rate used would result in a significant increase in the fair value of the Compensated Properties, and vice versa. Other key inputs and significant assumptions which involve judgements, included discount rate and time to completion. The discount rate used in the valuation was referenced to the applicable market yield of similar properties. The fair value measurements of Compensated Properties are categorised as Level 3 of the fair value hierarchy. There were no transfers into or out of Level 2 or Level 3 during both years.

20. INVENTORIES

	2021	2020
	HK\$'000	HK\$'000
Raw materials and consumables	129,599	88,516
Work in progress	20,372	24,017
Finished goods	56,816	44,741
	<hr/> 206,787 <hr/>	<hr/> 157,274 <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of the Group's trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, net of allowance for credit losses and breakdown of other receivables and prepayments at the end of the reporting period:

	2021	2020
	HK\$'000	HK\$'000
0 – 30 days	117,828	124,239
31 – 60 days	68,884	65,584
61 – 90 days	53,626	40,741
91 – 180 days	58,224	57,042
Over 180 days	62,277	30,861
	<hr/>	<hr/>
Trade receivables, net of allowance for credit losses	360,839	318,467
Prepayments for raw materials, deposits and other receivables	21,240	11,443
Deposit and prepayments for a life insurance policy (note 18)	1,689	1,640
	<hr/>	<hr/>
Total trade and other receivables	383,768	331,550
	<hr/> <hr/>	<hr/> <hr/>

The Group allows credit period ranging from 30 days to 180 days, depending on the products sold, to its trade customers. Trade and other receivables are unsecured and interest-free.

The Group's trade receivables which are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2021	2020
	HK\$'000	HK\$'000
USD	28,415	24,770
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$123,264,000 (2020: HK\$59,102,000) which are past due as at the reporting date. Out of the past due balances, HK\$117,475,000 (2020: HK\$42,966,000) has been past due 90 days or more and is not considered as in default based on the good repayment records for those customers and continuous business with the Group. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 36.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22. CONTRACT ASSETS

	2021	2020
	HK\$'000	HK\$'000
PVC pipes and fittings	8,804	9,507

The Group typically agrees to a retention period of one year from the date of the delivery of PVC and fitting products, for 10% of the contract value. This amount is included in contract assets until the end of the retention period.

Details of impairment assessment of contract assets for the year ended 31 December 2021 are set out in note 36.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure bills payable and short-term secured bank borrowings granted to the Group and are therefore classified as current assets. The pledged bank deposits carry interest at market rates which range from 0.25% to 1.75% (2020: 0.25% to 1.75%) per annum. The pledged deposits will be released upon the settlement of relevant borrowings.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry interest at market rates. Bank balances carry interest at market rates which range from 0.01% to 1.35% (2020: 0.01% to 1.35%) per annum.

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

	2021	2020
	HK\$'000	HK\$'000
USD	4,149	8,277
HK\$	1,691	1,118
RMB	14	14

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

24. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade and bills payables presented based on the invoice date and other payables at the end of the reporting period:

	2021	2020
	HK\$'000	HK\$'000
0 – 30 days	50,091	128,425
31 – 60 days	21,116	26,009
61 – 90 days	6,826	15,363
Over 90 days	89,739	76,410
	<hr/>	<hr/>
Total trade and bills payables	167,772	246,207
Other payables	904,987	57,303
	<hr/>	<hr/>
Total trade and other payables	1,072,759	303,510
	<hr/> <hr/>	<hr/> <hr/>

The following is an analysis of the Group's other payables at the end of the reporting period:

	2021	2020
	HK\$'000	HK\$'000
Accrued expenses	18,886	17,844
Deposits received	9,617	7,732
Payable on acquisition of property, plant and equipment	11,126	6,922
Interest payables	15,434	11,445
Value-added tax payables	252	1,810
Wages and bonus payable	4,495	4,929
Property tax and other tax payables	481	952
Compensation receipt in advance for land resumption (Note)	837,939	–
Others	6,757	5,669
	<hr/>	<hr/>
	904,987	57,303
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchases of goods is 90 days.

Included in trade and other payables are the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

	2021	2020
	HK\$'000	HK\$'000
USD	3,771	55,547
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

24. TRADE AND OTHER PAYABLES – *continued*

Note:

On 5 November 2021, two wholly-owned subsidiaries of the Company, World Houseware Producing Company Limited (“World Producing”) and 南塑建材塑膠製品(深圳)有限公司 Nam Sok Building Material & Plastic Products (Shenzhen) Co., Ltd. (“Nam Sok”) have entered into an agreement with 深圳市龍崗區平湖街道辦事處 Pinghu Street Office, 深圳市龍崗區土地整備事務中心 Land Development Affair Centre and 深圳市規劃和自然資源局龍崗管理局 Planning and Natural Resources Bureau (the “Office, Centre, and Bureau”) in relation to land resumption (the “Land Resumption Agreement”).

Pursuant to the Land Resumption Agreement, World Producing and Nam Sok are responsible for the provision of the existing land which has been used by the Group as production factory and office buildings for its manufacturing and sale of PVC pipes and fittings (the “Existing Land”) and the demolition of the buildings, structures, greening and relevant fixtures erected on the land. The Office, Centre, and Bureau will compensate to World Producing and Nam Sok a piece of land for residential use with ancillary commercial and community uses (the “Replacement Land”). If the fair value of the Replacement Land is less than the fair value of the Existing Land, the difference will be compensated by the Shenzhen Municipal Government as monetary compensation for the land compensation price difference (the “Land Compensation Price Difference”). The Land Compensation Price Difference will be determined based on the final valuation of the Replacement Land, which is subject to the approval by the Shenzhen Municipal Government.

Apart from the above compensation, in view that the Group is required to relocate its factories and office buildings on the Existing Land as a result of the land resumption (the “Relocation”), the Office, Centre, and Bureau agreed to compensate the Group an amount of approximately RMB385,434,000 (equivalent to approximately HK\$471,191,000) (the “Relocation Compensation”). The amount is subject to final review of the compensation.

The Office, Centre, and Bureau also agreed to compensate to the Group (the “Underground Compensation”) for the cost of restoration of the underground construction at the Existing Land. Up to the date of this report, the Underground Compensation has not been determined.

As at 31 December 2021, the Group has received Relocation Compensation of RMB385,434,000 (equivalent to approximately HK\$471,191,000) from the Office, Centre, and Bureau. In addition, the Group has received of RMB300,000,000 (equivalent to approximately HK\$366,748,000) from the Office, Centre, and Bureau as an advance payment for the Land Compensation Price Difference. The remaining portion of the Land Compensation Price Difference will be paid by the Office, Centre, and Bureau upon approval process and subject to the final valuation of the Replacement Land.

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25. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Household products	283	343
PVC pipes and fittings	6,677	9,597
	<u>6,960</u>	<u>9,940</u>

The contract liabilities are expected to be settled within the Group's normal operation cycle and therefore are classified as current liabilities.

26. AMOUNTS DUE TO DIRECTORS

At 31 December 2021, the amounts due to directors, who are also the controlling shareholders of the Group, in aggregate of HK\$176,060,000 (2020: HK\$168,070,000) are unsecured.

	2021 HK\$'000	2020 HK\$'000
Repayable within one year:		
– interest bearing ranged from 2.9% to 4.35% per annum	3,000	8,732
– interest-free	21,760	21,760
	<u>24,760</u>	<u>30,492</u>
Repayable over one year:		
– interest bearing ranged from 2.9% to 4.35% per annum	79,017	68,798
– interest-free (Note)	72,283	68,780
	<u>151,300</u>	<u>137,578</u>
	<u>176,060</u>	<u>168,070</u>

Note: The principal amount outstanding as at 31 December 2021 is HK\$75,091,000 (2020: HK\$70,252,000). At the end of the reporting period, the Group calculates the estimated future cash flows at effective interest rate of 2.9% (2020: 2.9%).

Notes to the Consolidated Financial Statements

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27. LEASE LIABILITIES

At 31 December 2020, the weighted average incremental borrowing rates applied to lease liabilities was 4.1%.

Restrictions or covenants on leases

As at 31 December 2020, lease liabilities of HK\$613,000 were recognised with related right-of-use assets of HK\$467,000. The lease agreements did not impose any covenants other than the security interests in the leased assets that were held by the lessor. The related leased assets may not be used as security for borrowing purposes. As at 31 December 2020, the lease liabilities were secured by rental deposits with carrying values of HK\$1,080,000.

28. SECURED BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Variable rate bank loans	185,303	186,637
Variable rate trust receipts and import loans	22,736	10,473
	<u>208,039</u>	<u>197,110</u>
The carrying amounts of the above secured bank borrowings are repayable*:		
Within one year	186,997	188,048
Within a period of more than one year but not exceeding two years	5,415	1,622
Within a period of more than two years but not exceeding five years	15,627	5,108
Within a period of more than five years	–	2,332
	<u>208,039</u>	<u>197,110</u>
The carrying amounts of secured bank borrowings due within one year (excluding those loans with repayment on demand clause) shown under current liabilities	<u>99,886</u>	<u>99,792</u>
The carrying amount of secured bank borrowing that contains a repayment on demand clause (shown under current liabilities) but repayable		
Within one year	87,111	88,256
After one year	21,042	9,062
	<u>108,153</u>	<u>97,318</u>
Amount shown under current liabilities	<u>208,039</u>	<u>197,110</u>

* The amounts due are based on the scheduled repayment dates set out in the loan agreements.

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28. SECURED BANK BORROWINGS – continued

The bank loans of the Group, which were borrowed by subsidiaries, that are denominated in currencies other than the functional currency of the relevant group companies are set out below:

	2021	2020
	HK\$'000	HK\$'000
USD	17,516	31,015

The ranges of interest rates which is repriced every three months, on the Group's borrowings are as follows:

	2021	2020
Variable rate bank loans, trust receipts, import loans and bank overdrafts	Interest rate: Ranging from Hong Kong Inter Bank Offered Rate ("HIBOR") + 1.75% to 2.5%, Prime rate and Central Bank base interest rate of the PRC multiplied by 130% to 150%	Interest rate: Ranging from HIBOR + 1.75% to 2.5%, Prime rate and Central Bank base interest rate of the PRC multiplied by 135% to 180%

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
Effective interest rates: Variable rate secured bank borrowings	2.1% to 5.35% per annum	2.1% to 6.25% per annum

Notes to the Consolidated Financial Statements

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29. DEFERRED TAXATION

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

	Accelerated tax depreciation	Fair value changes in investment properties	Tax losses	Withholding tax on profits of a non-resident in the PRC	EIT liabilities arising from Redevelopment Project	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	(5,312)	(2,040)	7,845	(110,105)	(113,285)	(4)	(222,901)
Currency realignment	(35)	-	275	(292)	(8,962)	-	(9,014)
Credit (charge) to profit or loss	1,431	81	322	(4,232)	(20,568)	-	(22,966)
Withholding tax paid	-	-	-	2,223	-	-	2,223
At 31 December 2020	(3,916)	(1,959)	8,442	(112,406)	(142,815)	(4)	(252,658)
Currency realignment	(15)	-	124	(97)	(3,856)	-	(3,844)
(Charge) credit to profit or loss	(104)	204	(5)	(6,065)	10,056	-	4,086
Withholding tax paid	-	-	-	501	-	-	501
At 31 December 2021	(4,035)	(1,755)	8,561	(118,067)	(136,615)	(4)	(251,915)

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

	2021 HK\$'000	2020 HK\$'000
Deferred tax assets	8,561	8,442
Deferred tax liabilities	(260,476)	(261,100)
	(251,915)	(252,658)

At the end of the reporting period, the Group had unused tax losses of approximately HK\$400,262,000 (2020: HK\$374,797,000) available to offset against future assessable profits. A deferred taxation asset of HK\$8,561,000 (2020: HK\$8,442,000) has been recognised in respect of HK\$42,561,000 (2020: HK\$42,096,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of HK\$357,701,000 (2020: HK\$332,701,000) due to the unpredictability of future profit streams. For the year ended 31 December 2020, approximately HK\$4,109,000 of tax loss have expired (2021: nil). Included in unrecognised tax losses are losses of HK\$94,109,000 (2020: HK\$93,791,000) that will expire in 5 years (2020: 5 years). Other losses may be carried forward indefinitely. The Group had no other significant unprovided deferred taxation at the end of the reporting period.

Notes to the Consolidated Financial Statements

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29. DEFERRED TAXATION – *continued*

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiary amounting to HK\$389,396,000 (2020: HK\$354,558,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,500,000,000	150,000
Issued and fully paid:		
At 1 January 2020 and 31 December 2020	764,317,421	76,432
Exercise of share options (Note)	11,800,000	1,180
At 31 December 2021	776,117,421	77,612

Note: During the year ended 31 December 2021, 2,000,000 shares of HK\$0.1 each were issued to the share option holders at HK\$0.237 per share upon exercise of the share options granted on 24 October 2011, 7,500,000 shares of HK\$0.1 each were issued to the share option holders at HK\$0.309 per share upon exercise of the share options granted on 12 November 2012, 300,000 shares of HK\$0.1 each were issued to the share option holders at HK\$0.58 per share upon exercise of the share options granted on 1 September 2015 and 2,000,000 shares of HK\$0.1 each were issued at HK\$0.357 per share upon exercise of the share options granted on 20 December 2020 under the share option scheme of the Company adopted on 10 June 2011 and all these shares rank pari passu with other ordinary shares of the Company in all respects.

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31. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme"), was adopted at an extraordinary general meeting of the Company held on 10 June 2011 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 9 June 2021. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 57,900,000 (2020: 70,300,000), representing 7.6% (2020: 9.2%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 1 month of the date of grant, upon payment of HK\$1 from each grantee upon acceptance of offer. Options may be exercised immediately from the date of grant of the share options to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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31. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

The following tables disclose the movements of the Company's share options in both years:

Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2020	Granted during the year	Outstanding at 31.12.2020	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2021
<u>2011 share options</u>										
Independent non-executive directors	24.10.2011	Nil	24.10.2011 – 23.10.2021	0.237	600,000	-	600,000	-	(600,000)	-
Employees	24.10.2011	Nil	24.10.2011 – 23.10.2021	0.237	2,000,000	-	2,000,000	(2,000,000)	-	-
					<u>2,600,000</u>	<u>-</u>	<u>2,600,000</u>	<u>(2,000,000)</u>	<u>(600,000)</u>	<u>-</u>
<u>2012 share options</u>										
Executive directors	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	11,000,000	-	11,000,000	(6,500,000)	-	4,500,000
Independent non-executive directors	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	600,000	-	600,000	-	-	600,000
Employees	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	6,000,000	-	6,000,000	(1,000,000)	-	5,000,000
					<u>17,600,000</u>	<u>-</u>	<u>17,600,000</u>	<u>(7,500,000)</u>	<u>-</u>	<u>10,100,000</u>
<u>2015 share options</u>										
Executive directors	01.09.2015	Nil	01.09.2015 – 31.08.2025	0.580	12,500,000	-	12,500,000	-	-	12,500,000
Non-executive director	01.09.2015	Nil	01.09.2015 – 31.08.2025	0.580	500,000	-	500,000	-	-	500,000
Independent non-executive directors	01.09.2015	Nil	01.09.2015 – 31.08.2025	0.580	1,200,000	-	1,200,000	(300,000)	-	900,000
Employees	01.09.2015	Nil	01.09.2015 – 31.08.2025	0.580	9,100,000	-	9,100,000	-	-	9,100,000
					<u>23,300,000</u>	<u>-</u>	<u>23,300,000</u>	<u>(300,000)</u>	<u>-</u>	<u>23,000,000</u>
<u>2020 share options</u>										
Executive directors	22.12.2020	Nil	22.12.2020 – 21.12.2030	0.357	-	21,100,000	21,100,000	(2,000,000)	-	19,100,000
Employees	22.12.2020	Nil	22.12.2020 – 21.12.2030	0.357	-	5,700,000	5,700,000	-	-	5,700,000
					<u>-</u>	<u>26,800,000</u>	<u>26,800,000</u>	<u>(2,000,000)</u>	<u>-</u>	<u>24,800,000</u>
					<u>43,500,000</u>	<u>26,800,000</u>	<u>70,300,000</u>	<u>(11,800,000)</u>	<u>(600,000)</u>	<u>57,900,000</u>
Exercisable at the end of the year					<u>43,500,000</u>		<u>70,300,000</u>			<u>57,900,000</u>
Weighted average exercise price					<u>0.450</u>	<u>0.357</u>	<u>0.414</u>	<u>0.312</u>	<u>0.237</u>	<u>0.437</u>

In respect of share options exercised during the year, the weighted average share price at the dates of exercise is HK\$0.838. During the year ended 31 December 2020, options were granted on 22 December 2020. The estimated fair values of the options granted on that date were HK\$5,604,000.

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31. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

These fair values were calculated using the Binomial option pricing model. The inputs into the model were as follows:

	2020
Weighted average share price	HK\$0.357
Exercise price	HK\$0.357
Expected volatility	63.13%
Expected life	10 years
Risk-free rate	0.524%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK\$5,604,000 for the year ended 31 December 2020 in relation to share options granted by the Company.

32. RETIREMENT BENEFIT SCHEMES

The Group operates the MPF Scheme for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Mandatory benefits are provided under the MPF Scheme. The Group contributes the lower of 5% of the relevant payroll costs and HK\$1,500 per employee to the MPF Scheme.

Employees of subsidiaries in the PRC are members of the state managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions.

The total contribution to the retirement benefit schemes charged to the consolidated statement of profit or loss and other comprehensive income is HK\$2,544,000 (2020: HK\$1,767,000).

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33. CAPITAL COMMITMENTS

	2021	2020
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– plant and equipment	8,127	4,594
– buildings	3,517	3,426
	11,644	8,020

34. OPERATING LEASES

The Group as lessor

Undiscounted lease payments receivable on leases are as follows:

	2021	2020
	HK\$'000	HK\$'000
Within one year	6,784	6,820
In the second year	3,377	5,168
In the third year	77	3,852
In the fourth year	43	3,226
In the fifth year	60	66
	10,341	19,132

The properties held have committed tenants for periods of up to five years (2020: five years).

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35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes amounts due to directors, lease liabilities and secured bank borrowings, disclosed in respective notes, pledged bank deposits, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debts.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Amortised cost	<u>1,267,190</u>	<u>508,770</u>
Financial liabilities		
Amortised cost	<u>718,981</u>	<u>760,833</u>

Financial risk management objectives and policies

The Group's major financial instruments include compensation income receivables included in long-term other assets, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to directors, secured bank borrowings and deposits received. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 18% (2020: 21%) and 61% (2020: 61%) of the Group's sales and purchases, respectively, are denominated in currencies other than the functional currencies of the group entities making the sale and the purchase.

Several subsidiaries of the Company have foreign currency bank balances, compensation income receivables included in long-term other assets, trade and other receivables, trade and other payables, secured bank borrowings and deposits received that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2021 and 2020 are as follows:

	Assets		Liabilities	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
USD (HK\$ as functional currency)	32,563	33,022	17,814	31,787
USD (RMB as functional currency)	1	25	3,473	54,775
HK\$	1,691	1,118	–	–
RMB	30,271	34,923	64,108	58,733
	64,526	69,088	85,395	145,295

In addition, the Group is also exposed to foreign currency risk arising from intra-group loans/trading transactions denominated in HK\$ involving PRC entities whose functional currency is RMB. The foreign currency denominated net monetary assets in relation to these intra-group balances amounted to approximately HK\$348,786,000 (2020: HK\$340,108,000). The Group has not formulated a policy to hedge the foreign currency risk.

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Currency risk – continued

The Group is mainly exposed to fluctuation in exchange rate of RMB against HK\$ and USD. Exposures on balances which are denominated in USD in group companies with HK\$ as functional currency, are not considered significant as HK\$ is pegged to USD. The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of RMB (functional currency of the relevant group companies) against HK\$ and USD while all other variables are held constant. The sensitivity analysis includes outstanding foreign currency denominated monetary items including external loans in USD as well as intra-group loans/trading transactions denomination in HK\$ involving the PRC entities whose functional currency is RMB. A positive number below indicates an increase in profit (2020: an increase in profit) for the year where RMB weakens against HK\$ and USD. For a 5% strengthening of RMB against HK\$ and USD, there would be an equal and opposite impact on the loss for the year and the balances below would be negative.

	2021 HK\$'000	2020 HK\$'000
RMB against HK\$	13,143	12,796
RMB against USD	(130)	(2,053)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable rate secured bank borrowings (see note 28). In relation to these variable rate secured bank borrowings, the Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Interest rate risk – continued

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the variable rate secured bank borrowings at the end of the reporting period. A 100 basis points (2020: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points (2020: 100 basis points) higher and all other variable held constant, the potential effect on profit for the year is as follows:

	2021 HK\$'000	2020 HK\$'000
Decrease in profit for the year	<u>1,652</u>	<u>1,561</u>

For decreasing interest rate of 100 basis points, there would be an equal and opposite impact on the profit for the year.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to compensation income receivables included in long-term other assets, trade and other receivables, contract assets, pledged bank deposits and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period. As at 31 December 2021, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed every year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on debtors with significant outstanding balances or credit-impaired individually and based on internal credit rating for the remaining balance. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Credit risk and impairment assessment – continued

At 31 December 2021, the Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 99% (2020: 91%) of the total trade receivables and contract assets.

At 31 December 2021, the Group has concentration of credit risk on trade receivables and contract assets as 10.8% (2020: 6.7%) of the total trade receivables and contract assets was due from the Group's largest debtor within the PVC pipes and fittings segment.

Trade receivables arising from contracts with customers and contract assets

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of HK\$190,513,000 (2020: HK\$166,631,000) and HK\$81,784,000 (2020: HK\$100,829,000) respectively with loss allowances of HK\$247,000 (2020: HK\$263,000) and HK\$81,784,000 (2020: HK\$100,829,000) respectively were assessed individually.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The Group's internal credit risk rating comprises the following categories:

Low:	The customer has a low risk of default and does not have any past-due amounts
Medium:	The customer regularly repays on time but sometimes settles after due date
High:	The customer frequently repays after due dates but usually settles after due date

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36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Trade receivables arising from contracts with customers and contract assets – continued

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on internal credit rating as at 31 December 2021 and 2020 within lifetime ECL (not credit-impaired).

	Gross carrying amount HK\$'000	Average loss rate %	Loss allowance HK\$'000	Net carrying amount HK\$'000
As at 31 December 2021				
Internal credit rating				
Low	30,648	0.24	75	30,573
Medium	134,539	4.23	5,694	128,845
High	22,187	10.04	2,228	19,959
	187,374		7,997	179,377
	Gross carrying amount HK\$'000	Average loss rate %	Loss allowance HK\$'000	Net carrying amount HK\$'000
As at 31 December 2020				
Internal credit rating				
Low	48,449	0.25	123	48,326
Medium	99,692	4.32	4,305	95,387
High	19,939	10.26	2,046	17,893
	168,080		6,474	161,606

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36. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Credit risk and impairment assessment – continued

Trade receivables arising from contracts with customers and contract assets – continued

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Other receivables

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience and forward-looking information. Lifetime ECL is recognised for other receivables which are identified as credit-impaired financial assets with an aggregate gross carrying amount of HK\$1,101,000 (2020: HK\$1,017,000) and loss allowances of HK\$1,101,000 (2020: HK\$1,017,000). For the other receivables which are not credit-impaired with an aggregate gross carrying amount of HK\$13,269,000 (2020: HK\$4,315,000), 12m ECL is insignificant because the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in these outstanding other receivables is insignificant.

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Reconciliation of loss allowance

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2020	3,452	124,590	128,042
Changes due to financial instruments recognised as at 1 January 2020:			
– Transfer to credit-impaired	(885)	885	–
– Impairment losses recognised	3,594	40,966	44,560
– Impairment losses reversed	(1,587)	(18,356)	(19,943)
– Write-off	–	(53,480)	(53,480)
New financial assets	1,736	–	1,736
Currency realignment	427	6,224	6,651
	6,737	100,829	107,566
As at 31 December 2020			
Changes due to financial instruments recognised as at 1 January 2021:			
– Transfer to credit-impaired	(209)	209	–
– Impairment losses recognised	4,664	14,685	19,349
– Impairment losses reversed	(5,010)	(36,356)	(41,366)
New financial assets	1,852	–	1,852
Currency realignment	210	2,417	2,627
	8,244	81,784	90,028
As at 31 December 2021			

The Group writes off a trade receivable and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

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36. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Credit risk and impairment assessment – *continued*

Reconciliation of loss allowance – continued

The following tables show reconciliation of loss allowances that has been recognised for other receivables:

	Lifetime ECL (credit- impaired) HK\$'000
1 January 2020	1,178
Impairment losses recognised	(173)
Currency realignment	12
	<hr/>
As at 31 December 2020	1,017
Currency realignment	84
	<hr/>
As at 31 December 2021	1,101
	<hr/> <hr/>

The 12m ECL arose from other receivables is insignificant.

Other financial assets subject to ECL

For the compensation income receivables included in long-term other assets, no impairment allowance were made since the directors of the Company consider the loss given default and exposure at default are significantly reduced as the compensation income receivables are subject to offsetting agreement with the Deposits Received.

The management of the Group considers the pledged bank deposits and bank balances that are deposited with the financial institutions with good credit rating to be low credit risk financial assets. The management of the Group considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

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36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of secured bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate per annum %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
Financial liabilities							
As at 31 December 2021							
Trade and other payables	-	91,968	27,942	89,739	-	209,649	209,649
Amounts due to directors	3.11	24,760	-	-	156,038	180,798	176,060
Secured bank borrowings – variable rate	3.81	108,153	15,385	87,301	-	210,839	208,039
Deposits received	6.00	-	-	-	134,474	134,474	125,233
		224,881	43,327	177,040	290,512	735,760	718,981
As at 31 December 2020							
Trade and other payables	-	159,685	41,372	76,410	-	277,467	277,467
Amounts due to directors	3.29	30,492	-	-	143,889	174,381	168,070
Secured bank borrowings – variable rate	4.06	108,054	10,801	81,948	-	200,803	197,110
Deposits received	6.00	-	-	-	132,371	132,371	118,186
Lease liabilities	4.10	613	-	-	-	613	613
		298,844	52,173	158,358	276,260	785,635	761,446

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36. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. At 31 December 2021, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$108,153,000 (2020: HK\$97,318,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid from two to five years (2020: two to six years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$110,965,000 (2020: HK\$101,731,000).

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group’s variable rate bank loans based on the scheduled repayment dates set out in the loan agreement as set out in the table below:

	Weighted average interest rate per annum %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
Variable rate bank loans								
As at 31 December 2021	3.81	32,523	40,949	14,490	23,003	–	110,965	108,153
As at 31 December 2020	4.06	31,276	23,838	36,065	7,837	2,715	101,731	97,318

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Interest rate benchmark reform

As listed in note 28, several of the Group’s HIBOR bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average (“HONIA”) has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

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For the year ended 31 December 2021

36. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Interest rate benchmark reform – *continued*

HIBOR – continued

- (i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of HIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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For the year ended 31 December 2021

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payables	Amounts due to directors	Secured bank borrowings	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	7,911	151,112	214,884	3,970	377,877
Financing cash flows	(7,478)	13,802	(23,982)	(2,081)	(19,739)
COVID-19 related rent concessions	-	-	-	(1,380)	(1,380)
Currency realignment	-	1,331	6,208	-	7,539
Finance costs recognised	11,012	1,825	-	104	12,941
	11,445	168,070	197,110	613	377,238
At 31 December 2020	11,445	168,070	197,110	613	377,238
Financing cash flows	(6,351)	5,810	8,359	(613)	7,205
Deemed contribution	-	(435)	-	-	(435)
Currency realignment	-	606	2,570	-	3,176
Finance costs recognised	9,905	2,009	-	-	11,914
	14,999	176,060	208,039	-	399,098
At 31 December 2021	14,999	176,060	208,039	-	399,098

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

38. PLEDGE OF ASSETS

At the end of the reporting period, the Group's secured borrowings and lease liabilities were secured by the following assets:

	2021 HK\$'000	2020 HK\$'000
Investment properties	24,500	23,000
Leasehold land and buildings	105,743	124,212
Right-of-use assets	9,331	11,095
Pledged bank deposits	6,162	6,162
	<u>145,736</u>	<u>164,469</u>

In addition, the Group also pledged the life insurance policy to a bank to secure general banking facilities granted to the Group (see note 18).

39. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was as follows:

	2021 HK\$'000	2020 HK\$'000
Short-term benefits	20,725	28,993
Post-employment benefits	18	27
	<u>20,743</u>	<u>29,020</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

39. RELATED PARTY TRANSACTIONS – *continued*

- (b) During the year ended 31 December 2021, Joy Tower Limited, a related party of the Group, provided its residential property to secure one of the Group's banking facilities amounting to HK\$54,394,000 (2020: HK\$81,350,000). Approximately HK\$46,069,000 (2020: HK\$43,613,000) was utilised in respect of this banking facility as at 31 December 2021.

Mr. Lee Tat Hing and his spouse, Ms. Fung Mei Po, the directors and controlling shareholders of the Company, are directors and controlling shareholders of Joy Tower Limited.

- (c) During the year ended 31 December 2021, the Group paid interest expenses on the amount due to a director of the Company, Ms. Fung Mei Po, amounted to HK\$1,655,000 (2020: HK\$1,584,000).

40. NON-CASH TRANSACTION

During the year ended 31 December 2020, deposits paid for acquisition of property, plant and equipment amounting to HK\$2,560,000 was transferred to property, plant and equipment upon completion of installation of certain plant and machinery.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

41. PRINCIPAL SUBSIDIARIES

The details of principal subsidiaries at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest held by the Company		Principal activities		
			Directly 2021	2020		Indirectly 2021	2020
Action Land Limited	Hong Kong – limited liability company	HK\$6,000,000	-	-	100%	100%	Provision of transportation services
Greatflow Investments Limited	British Virgin Islands (“BVI”) – limited liability company	USD1	-	-	100%	100%	Property holding
Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd.*	PRC – wholly foreign owned enterprise	USD15,806,000	-	-	100%	100%	Manufacturing of PVC pipes and fittings and moulds
Nam Sok Building Material & Plastic Products (Shenzhen) Co., Ltd.*	PRC – wholly foreign owned enterprise	HK\$330,000,000	-	-	100%	100%	Manufacturing of PVC pipes and fittings and moulds
South China Plastic Building Material Manufacturing Limited	Hong Kong – limited liability company	HK\$2	-	-	100%	100%	Trading in building materials and supplies
South China Reborn Resources (Zhongshan) Company Limited*	PRC – wholly foreign owned enterprise	USD11,910,000	-	-	100%	100%	Manufacturing of household products and operating recycling and reborn resources related business
Welidy	Hong Kong – limited liability company	HK\$10,000	-	-	100%	100%	Property holding
World Home Linen Manufacturing Company Limited	Hong Kong – limited liability company	HK\$200 Deferred non-voting shares HK\$10,000 (Note a)	-	-	100%	100%	Property holding
World Houseware (B.V.) Limited	BVI – limited liability company	HK\$50,000	100%	100%	-	-	Investment holding
World Houseware Producing Company Limited	Hong Kong – limited liability company	HK\$200 Deferred non-voting shares HK\$160,500 (Note b)	-	-	100%	100%	Trading in household products

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

41. PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2021	2020	2021	2020	
World (Baoan)*	PRC – wholly foreign owned enterprise	HK\$360,000,000	-	-	100%	100%	Manufacturing of household products
World Plastic-ware Manufacturing Limited	Hong Kong – limited liability company	HK\$32,500,000	-	-	100%	100%	Investment holding
South China Reborn Resources (Hong Kong) Company Limited	Hong Kong – limited liability company	USD10,000	-	-	100%	100%	Operating recycling and reborn resources related business

* The English name is translated for identification purpose only.

Notes:

- (a) None of the deferred non-voting shares are held by the Group.
- (b) The deferred non-voting shares are held by Welidy.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All the subsidiaries operate in their respective places of incorporation/registration except Welidy which holds properties in the PRC, Greatflow Investments Limited which holds properties in Hong Kong and World Houseware (B.V.I.) Limited which operates in Hong Kong.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Investments in subsidiaries	57,188	57,188
Amounts due from subsidiaries	200,000	200,000
	257,188	257,188
Current assets		
Amounts due from a subsidiary	134,428	150,028
Bank balances and cash	123	136
	134,551	150,164
Current liability		
Accrued expenses	3,610	6,736
Net current assets	130,941	143,428
Non-current liability		
Amount due to a director	72,283	68,780
Net assets	315,846	331,836
Capital and reserves		
Share capital	77,612	76,432
Reserves (Note)	238,234	255,404
Total equity	315,846	331,836

Note:

	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	343,659	8,917	9,910	9,505	(96,656)	275,335
Loss and total comprehensive expense for the year	-	-	-	-	(25,535)	(25,535)
Recognition of equity-settled share-based payments	-	-	-	5,604	-	5,604
At 31 December 2020	343,659	8,917	9,910	15,109	(122,191)	255,404
Loss and total comprehensive expense for the year	-	-	-	-	(20,104)	(20,104)
Exercise of share options	4,331	-	-	(1,832)	-	2,499
Release of lapsed share options	-	-	-	(62)	62	-
Deemed contribution arising from cashflow estimates on amount due to a director	-	-	435	-	-	435
At 31 December 2021	347,990	8,917	10,345	13,215	(142,233)	238,234

Financial Summary

RESULTS

	For the year ended 31 December				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
Turnover	914,020	926,232	809,809	817,298	878,030
(Loss) profit before taxation	(93,599)	1,405,033	(102,154)	96,785	38,588
Taxation	(19,967)	(238,156)	5,872	(27,801)	5,434
(Loss) profit for the year	(113,566)	1,166,877	(96,282)	68,984	44,022

ASSETS AND LIABILITIES

	At 31 December				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
Total assets	1,403,430	2,763,414	2,626,946	2,910,596	3,780,557
Total liabilities	(702,257)	(960,111)	(937,918)	(1,056,399)	(1,840,966)
Total equity	701,173	1,803,303	1,689,028	1,854,197	1,939,591