蜆殼電器控股有限公司
SHELL ELECTRIC HOLDINGS LIMITED

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mr. YUNG Kwok Kee, Billy *(Group Chairman and Chief Executive)*
Madam HSU Vivian
Mr. CHOW Kai Chiu, David
Madam LI Pik Mui, Cindy

BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited

COMPANY SECRETARY

Fair Wind Secretarial Services Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda

HONG KONG OFFICE

1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong

COMPANY'S WEBSITE

www.smc.com.hk

AUDITOR

BDO Limited
Certified Public Accountants

HONG KONG TRANSFER AGENT

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

On behalf of the board (the "Board") of directors (the "Directors") of Shell Electric Holdings Limited (the "Company"), I am pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020.

PROFIT FOR THE YEAR

The Group's audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2020 amounted to HK$453 million. Basic earnings per share was HK86.6 cents.

FINAL DIVIDEND

The board of directors recommends a final dividend of HK0.5 cent per share for the year ended 31 December 2020 (2019: HK0.5 cent per share). The proposed final dividend, subject to approval by the members of the Company (the "Members") at the annual general meeting to be held on Friday, 6 August 2021 (the "AGM"), would be payable on or before Wednesday, 20 October 2021 to the Members on the register of members of the Company on Tuesday, 17 August 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 3 August 2021 to Friday, 6 August 2021 both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 2 August 2021.

The register of members of the Company will be closed from Friday, 13 August 2021 to Tuesday, 17 August 2021, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 12 August 2021.

BUSINESS REVIEW

Contract Manufacturing-Optics and Imaging

The optics and imaging contract manufacturing business recorded 22% decrease in revenue in 2020 compared to 2019 as certain old models were transitioning to new models and business was impacted by the pandemic. The revenue is expected to increase in 2021.

Electric Tools and Electric Fans – SMC Electric

The manufacturing and sales of battery powered electric tools business reported a drop of 8.6% in sales compared to 2019. The decrease was mainly due to sales decline in work lights and cordless fans. Under the sourcing and selling of electric fans business, sales revenue in the Middle East and Africa declined significantly during the year 2020, whereas sales to Australia recorded double digit growth. In general, despite the rising costs of raw materials and freight charge and the appreciation of RMB against US dollar in the second half of 2020, the division was still able to maintain a stable gross profit margin due to strict costs control process.

Vehicle Rental and Trading

In 2020, despite the impact of COVID-19 and the provision of rent concession to taxi drivers during the anti-pandemic campaign, revenue increased by 16%. This is mainly due to improvements in overall taxi rental utilisation as compared to 2019.

The Group responded to the Guangzhou Government's LPG taxi early renewal incentive scheme in 2019 and also participated in taxi drivers rent concessions campaign in 2020, as a result a total of 886 additional taxi licences were awarded to the Group. The Group now has a total of 1,678 Guangzhou taxi licences.

Real Estate Investment and Development

PRC

Investment Properties

The Group's office properties investment portfolio at Citic Plaza, Tianhe, Guangzhou maintained an average occupancy of approximately 83% in 2020.

Development Properties

The Guangzhou residential development project invested by the Group in 2016 was disposed in May 2020 at a contract sum of RMB580 million. The land parcel in Shunde invested by the Group in 2014 was disposed in November 2020 at a contract sum of RMB1,037 million.

Others
Litigations for re-possession of the Group's industrial land parcel located at Guangshan Road, Tianhe North, is still in progress.

United States

Investment Properties
In the Tri-Valley area huge supply of space came onto the market for lease and sale during the year, rental income at the Group's Vineyard Business Park was impacted.

In 2021, the Vineyard Business Park Property was disposed and the transaction was completed at the end of May 2021.

Hong Kong

Investment Properties
The occupancy rate of Shell Industrial Building at 12 Lee Chung Street, Chai Wan, was maintained at 90% during the year. The Group will continue to refurbish the building and actively increase the occupancy rate and rental return.

Another industrial property in Tak King Industrial building (approximately 9,400 sq. ft.) located at 27 Lee Chung Street, Chai Wan, has its lease successfully renewed with the high quality tenant. This lease will continue to bring a steady rental income to the Group.

Development Properties
Construction works for two residential projects in Sheung Shui and Shek Kong were completed. Application for Certificate of Compliance for both projects are in process and related marketing campaign will be launched in the coming year.

Technology Investments

Semiconductor Device Products – PFC Device

The year 2020 saw a robust V-shaped recovery for the semiconductor industry. As a result, PFC Device experienced an increase of 17% in revenue and strong growth in gross profit over the prior year period. Demand outstripped supplies as revenue was limited by the wafer output capacity of foundries.

Total revenue in 2020 increased by US$3.1 million. With previously implemented cost and expense control measures along with higher production utilisation rate at the factory resulted in a profit margin improvement of 8.8% over the prior year.

Certa Scale

During the year, Certa Scale signed its first referenceable U.S. customer. In addition, Certa Scale signed a channel partner in Taiwan, which is in the process of hiring and training Kubernetes engineers to support pre-sales and marketing activities.

Certa Scale is planning a "rebranding" effort and it intends to shift resources to promote the new brand (SimpliKube) and launch a "Community Edition" of its flagship product in 2021.

Financial Investments

In 2020, the Group's financial investment activities recorded loss of approximately HK$11 million and the market value of the Group's financial investment holdings as at 31 December 2020 amounted to about HK$904 million.

REVENUE AND OPERATING RESULTS

Revenue of the Group for the year ended 31 December 2020 stood at HK$2,825 million, increased by HK$1,715 million or 155% as compared with the previous year. The increase resulted mainly from the sale of two real estate development projects during the year.

Profit attributable to the owners of the Company for the year ended 31 December 2020 increased from HK$44 million to HK$453 million, representing an increase of HK$409 million or 926% over the corresponding period last year. The increase was predominantly a result of the following key changes: (i) an increase in gross profit by HK$570 million; offset by (ii) a change from gain to loss in an aggregate of HK$50 million on investment properties; (iii) an increase of HK$39 million on fair value loss on financial assets and liabilities; and (iv) other miscellaneous changes including increase in administrative expenses and operating expenses of HK$18 million and HK$17 million.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the year under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

As at 31 December 2020, the Group utilised certain long-term loans totaling HK$409 million (31 December 2019: HK$525 million). Apart from the above, all banking facilities of the Group were arranged on short-term basis.

As at 31 December 2020, the Group's borrowings included a long-term loan of HK$409 million (31 December 2019: HK$438 million) being recorded under current liabilities, as such loan agreement contains a clause that provides the bank with unconditional right to demand repayment at any time at its own discretion after the committed period, which expired on September 2021. Subsequent to the end of the reporting period, the bank has renewed and granted a new committed period. The long-term loan will be reclassified to non-current liabilities in 2021.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group for the year ended 31 December 2020, calculated as operating profit divided by total interest expenses net of interest income, stood at 26 times (Year ended 31 December 2019: 2 times).

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. The Group conduct its sales mainly in US dollars and Renminbi, and make payments in US dollars, Hong Kong dollars, Renminbi and Taiwan dollars.

GEARING RATIO

The Group continued to adopt and follow its policy of maintaining a prudent gearing ratio. As at 31 December 2020, the Group recorded a 15.7% gearing ratio (31 December 2019: 28.4%), expressed as a percentage of total borrowings net of cash and bank balances and restricted bank deposits to total equity of the Group.

CAPITAL COMMITMENTS AND GUARANTEE

As at 31 December 2020, the Group had capital commitments totaling HK$258 million (31 December 2019: HK$140 million). In addition, the Company issued guarantees to the banks amounting to HK$801 million (31 December 2019: HK$824 million) to facilitate certain subsidiaries in obtaining banking facilities.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$53 million during the year under review (Year ended 31 December 2019: HK$114 million).

As at 31 December 2020, the Group had charges on assets totaling HK$2,362 million (31 December 2019: HK$1,982 million) mainly for securing a long-term loan and other loan facilities.

As at 31 December 2020, the Group pledged its 100% interest of the issued share capital of two subsidiaries (31 December 2019: two subsidiaries) to a bank to secure a long-term loan granted to the Group.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Company are investment holding, securities trading and property leasing. The principal activities carried out by the Company and its subsidiaries mainly comprise investment holding, selling of electric fans, manufacturing and marketing of power discrete semiconductors as well as contract manufacturing of fusers, laser scanning unit, paper handling options and electric tools, property leasing, real estate investment and development, taxi rental, sales of motor vehicles and securities investment. Further discussion and analysis of these activities can be found in the Chairman's Statement. Details of the activities of its principal subsidiaries, associates and joint ventures are set out in note 56 to note 58 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated income statement on page 10.

Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company now recommends the payment of a final dividend of HK0.5 cent per share to the shareholders on the register of members on 17 August 2021, thus giving rise to a final dividend distribution amounting to HK$2,617,000.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 38 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations totalling HK$2,917,000 (2019: HK$1,336,000).

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year, the Company repurchased a total of 175,000 of its own ordinary shares at HK$7.09 each and the total consideration was HK$1,236,000.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

Mr. Yung Kwok Kee, Billy
Madam Hsu Vivian
Mr. Chow Kai Chiu, David
Madam Li Pik Mui, Cindy

In accordance with Bye-law 84 of the Bye-laws of the Company, Mr. Yung Kwok Kee, Billy and Madam Hsu Vivian shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Mr. Yung Kwok Kee, Billy and Mr. Chow Kai Chiu, David have personal interests in the share options granted under the share option scheme operated by a subsidiary of the Company, namely Netlink Assets Limited. Further details of the share option schemes are disclosed in note 41 to the financial statements.

Save as disclosed above, at no time during the year was the Company, or any of its subsidiary, 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.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31 December 2020, the five largest customers accounted for approximately 84% of the total sales of the Group, of which 42% was attributable to the largest customer. Purchases from the Group's five largest suppliers accounted for approximately 44% of the total purchases for the year.

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates has any interest in a business or is interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31 December 2020.

PERMITTED INDEMNITY PROVISIONS

The Bye-laws of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

Save as disclosed above, at no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the year.

AUDITOR

The financial statements for the year ended 31 December 2020 were audited by BDO Limited ("BDO"). A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as auditor of the Company.

On behalf of the Board

Mr. Yung Kwok Kee, Billy
Chairman

Hong Kong, 22 June 2021

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TO THE SHAREHOLDERS OF SHELL ELECTRIC HOLDINGS LIMITED
蜆壳電器控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Shell Electric Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 10 to 100, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

We communicate with the directors 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.

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 22 June 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	6	**2,825,119**	1,110,081
Cost of sales and services provided		**(1,971,563)**	(826,628)
Gross Profit		**853,556**	283,453
Other income	6	**63,544**	47,097
Selling and distribution expenses		**(41,810)**	(7,258)
Administrative expenses		**(217,010)**	(199,183)
Other operating expenses		**(53,962)**	(37,278)
Other gains or losses			
Fair value (loss)/gain on investment properties	14	**(32,168)**	17,582
Loss on disposal of investment properties	14	**–**	(1,405)
Fair value (loss)/gain on financial assets/liabilities at fair value through profit or loss		**(38,249)**	586
Gain arising from deregistration of subsidiaries		**377**	4
Impairment loss on intangible assets	17	**–**	(11,070)
Impairment loss on property, plant and equipment	15(c)	**–**	(7,978)
Net foreign exchange gain/(loss)		**13,300**	(1,986)
Others		**(1,689)**	(3,525)
Operating profit		**545,889**	79,039
Finance costs	8	**(39,952)**	(45,192)
Share of results of associates		**10,940**	5,184
Share of results of joint ventures		**21,415**	16,694
Profit before income tax	9	**538,292**	55,725
Income tax expense	10	**(77,713)**	(16,628)
Profit for the year		**460,579**	39,097
Profit/(Loss) for the year attributable to:			
Owners of the Company		**453,111**	44,167
Non-controlling interests		**7,468**	(5,070)
		460,579	39,097
	13	**HK Cents**	HK Cents
Earnings per share			
– Basic		**86.6**	8.4
– Diluted		**86.6**	8.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Profit for the year		**460,579**	39,097
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising from translation of overseas operations			
– subsidiaries		**168,072**	(58,156)
– associate and joint ventures		**9,351**	(2,682)
Reclassification adjustment of translation reserve recycled to profit or loss upon			
– deregistration of a subsidiary		**(377)**	(4)
		177,046	(60,842)
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings classified as property, plant and equipment	*15(a)*		
– Changes in fair value		**17,282**	31,886
– Income tax effect		**(911)**	(7,201)
		16,371	24,685
Financial assets at fair value through other comprehensive income	*20*		
– Changes in fair value		**(43,968)**	185,082
– Income tax effect		**–**	(2,405)
		(43,968)	182,677
Other comprehensive income for the year, net of tax		**149,449**	146,520
Total comprehensive income for the year		**610,028**	185,617
Total comprehensive income attributable to:			
Owners of the Company		**598,588**	191,651
Non-controlling interests		**11,440**	(6,034)
		610,028	185,617

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	**2,603,250**	2,517,995
Property, plant and equipment	15	**641,832**	611,644
Construction in progress	16	**–**	5,497
Prepayments for acquisition of property, plant and equipment		**11,310**	16,260
Intangible assets	17	**166,480**	156,413
Interests in associates	18	**174,566**	156,958
Interests in joint ventures	19	**20,817**	24,507
Other assets	21	**74,988**	74,988
Financial assets at fair value through other comprehensive income	20	**555,326**	487,161
Loans receivable	22	**53,592**	52,358
Finance lease receivables	23	**590**	1,742
Trade receivables	26	**485,797**	–
Deferred tax assets	37	**3,941**	1,423
		4,792,489	4,106,946
Current assets			
Inventories of properties	24	**308,236**	1,433,390
Other inventories	25	**138,724**	129,843
Trade and other receivables, prepayments and deposits	26	**747,555**	372,524
Finance lease receivables	23	**1,351**	2,254
Financial assets at fair value through profit or loss	27	**348,370**	52,776
Tax prepaid		**1,128**	1,930
Restricted bank deposits	28(a)	**23,690**	22,259
Cash and bank balances	28(b)	**363,339**	212,497
		1,932,393	2,227,473
Current liabilities			
Contract liabilities	29	**1,557**	3,248
Trade and other payables	30	**473,089**	574,643
Financial liabilities at fair value through profit or loss	31	**15,198**	–
Lease liabilities	32	**4,633**	3,307
Amounts due to associates	33	**126**	122
Amount due to a related party	34	**291**	291
Amount due to a director	34	**27,553**	65,848
Taxation liabilities		**34,312**	46,216
Borrowings	35	**1,080,815**	1,290,601
		1,637,574	1,984,276
Net current assets		**294,819**	243,197
Total assets less current liabilities		**5,087,308**	4,350,143

	NOTES	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Lease liabilities	32	**10,929**	13,774
Loan from non-controlling shareholder	36	**7,238**	6,408
Deferred tax liabilities	37	**653,206**	616,131
		671,373	636,313
Net assets		**4,415,935**	3,713,830
CAPITAL AND RESERVES			
Share capital	38	**82**	82
Reserves	39	**4,296,144**	3,635,152
Equity attributable to owners of the Company		**4,296,226**	3,635,234
Non-controlling interests	40	**119,709**	78,596
Total equity		**4,415,935**	3,713,830

On behalf of the directors

CHOW KAI CHIU, DAVID
Director

LI PIK MUI, CINDY
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Equity attributable to owners of the Company											
	Share capital HK$'000	Capital reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	82	273,360	115,765	938	(163,887)	239,525	2,617	10,127	3,156,707	3,635,234	78,596	3,713,830
Profit for the year	–	–	–	–	–	–	–	–	453,111	453,111	7,468	460,579
Exchange difference arising from translation of overseas operations												
– subsidiaries	–	–	–	–	164,100	–	–	–	–	164,100	3,972	168,072
– associate and joint ventures	–	–	–	–	9,351	–	–	–	–	9,351	–	9,351
Release of translation reserve upon deregistration of a subsidiary	–	–	–	–	(377)	–	–	–	–	(377)	–	(377)
Fair value adjustment on revaluation of land and buildings, net of tax effect *(note 15(a))*	–	–	–	–	–	16,371	–	–	–	16,371	–	16,371
Fair value changes on financial assets at fair value through other comprehensive income, net of tax effect *(note 20)*	–	–	(43,968)	–	–	–	–	–	–	(43,968)	–	(43,968)
Total comprehensive income for the year	–	–	(43,968)	–	173,074	16,371	–	–	453,111	598,588	11,440	610,028
Dividend paid *(note 12(b))*	–	–	–	–	–	–	(2,617)	–	–	(2,617)	–	(2,617)
Share-based payment expense of PFC Device Share Options granted by a subsidiary *(note 41(b))*	–	–	–	19	–	–	–	–	–	19	14	33
Deemed disposal of partial interest in a subsidiary *(note 44)*	–	–	–	–	492	–	–	–	65,746	66,238	29,659	95,897
Shares repurchased and cancelled *(note 38)*	–	–	–	–	–	–	–	–	(1,236)	(1,236)	–	(1,236)
Transfer between reserves												
Proposed final dividend *(note 12(a))*	–	–	–	–	–	–	2,617	–	(2,617)	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	2,903	(2,903)	–	–	–
Vested PFC Device Share Options forfeited *(note 41(b))*	–	–	–	(294)	–	–	–	–	294	–	–	–
Reclassification of asset revaluation reserve to retained profits upon disposal of property, plant and equipment	–	–	–	–	–	(86)	–	–	86	–	–	–
Difference in depreciation provided based on historical cost and revalued amount of land and buildings with ownership interest held for own use *(note 15(a))*	–	–	–	–	–	(13,141)	–	–	13,141	–	–	–
At 31 December 2020	82	273,360	71,797	663	9,679	242,669	2,617	13,030	3,682,329	4,296,226	119,709	4,415,935

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital HK$'000	Capital reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	Equity attributable to owners of the Company											
At 1 January 2019	82	273,360	(53,681)	874	(103,964)	257,744	2,617	10,127	3,058,580	3,445,739	85,825	3,531,564
Profit for the year	–	–	–	–	–	–	–	–	44,167	44,167	(5,070)	39,097
Exchange difference arising from translation of overseas operations												
– subsidiaries	–	–	–	–	(57,192)	–	–	–	–	(57,192)	(964)	(58,156)
– associate and joint ventures	–	–	–	–	(2,682)	–	–	–	–	(2,682)	–	(2,682)
Release of translation reserve upon deregistration of a subsidiary	–	–	–	–	(4)	–	–	–	–	(4)	–	(4)
Fair value adjustment on revaluation of land and buildings, net of tax effect *(note 15(a))*	–	–	–	–	–	24,685	–	–	–	24,685	–	24,685
Fair value changes on financial assets at fair value through other comprehensive income, net of tax effect *(note 20)*	–	–	182,677	–	–	–	–	–	–	182,677	–	182,677
Total comprehensive income for the year	–	–	182,677	–	(59,878)	24,685	–	–	44,167	191,651	(6,034)	185,617
Dividend paid *(note 12(b))*	–	–	–	–	–	–	(2,617)	–	–	(2,617)	–	(2,617)
Share-based payment expense of PFC Device Share Options granted by a subsidiary *(note 41(b))*	–	–	–	64	–	–	–	–	–	64	46	110
Acquisition of additional interest in a subsidiary *(note 43)*	–	–	–	12	(45)	–	–	–	430	397	(1,241)	(844)
Transfer between reserves												
Proposed final dividend *(note 12(a))*	–	–	–	–	–	–	2,617	–	(2,617)	–	–	–
Vested PFC Device Share Options forfeited *(note 41(b))*	–	–	–	(12)	–	–	–	–	12	–	–	–
Reclassification of financial assets at fair value through other comprehensive income reserve to retained profits upon disposal *(note 20)*	–	–	(13,231)	–	–	–	–	–	13,231	–	–	–
Reclassification of asset revaluation reserve to retained profits upon disposal of investment property which were previously classified as property, plant and equipment	–	–	–	–	–	(31,478)	–	–	31,478	–	–	–
Difference in depreciation provided based on historical cost and revalued amount of land and buildings with ownership interest held for own use *(note 15(a))*	–	–	–	–	–	(11,426)	–	–	11,426	–	–	–
At 31 December 2019	82	273,360	115,765	938	(163,887)	239,525	2,617	10,127	3,156,707	3,635,234	78,596	3,713,830

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	NOTES	**2020 HK$'000**	2019 HK$'000
Operating activities			
Profit before income tax		**538,292**	55,725
Adjustment for:			
Share of results of associates		**(10,940)**	(5,184)
Share of results of joint ventures		**(21,415)**	(16,694)
Depreciation and amortisation		**71,483**	57,050
Share-based payment expense		**33**	110
Fair value loss/(gain) on investment properties		**32,168**	(17,582)
Unrealised fair value change on financial assets/(liabilities) at fair value through profit or loss		**25,807**	6,390
Allowance for other inventories		**984**	2,680
Impairment loss/(Reversal of impairment loss) on financial assets at amortised cost		**681**	(20,375)
Impairment loss on intangible assets		**–**	11,070
Impairment loss on property, plant and equipment		**–**	7,978
Write-off of property, plant and equipment		**94**	21
Write-off of financial assets at amortised cost		**4**	–
Loss on disposal of property, plant and equipment		**393**	3,152
Loss on disposal of investment properties		**–**	1,405
Gain arising from deregistration of subsidiaries		**(377)**	(4)
Interest income		**(11,512)**	(4,219)
Interest expenses		**32,184**	40,104
Guarantee fee		**6,338**	5,063
Exchange differences		**(13,070)**	86
Operating cash flows before movements in working capital		**651,147**	126,776
Decrease/(Increase) in inventories of properties		**1,215,379**	(505,440)
(Increase)/Decrease in other inventories		**(2,282)**	1,911
Increase in trade and other receivables, prepayments and deposits		**(881,942)**	(92,606)
Decrease in finance lease receivables		**1,961**	1,336
Increase in financial assets/(liabilities) at fair value through profit or loss		**(306,203)**	(7,074)
(Decrease)/Increase in trade and other payables		**(110,169)**	20,817
Decrease in amounts due to associates		**4**	–
(Decrease)/Increase in contract liabilities		**(1,691)**	1,557
Cash from/(used in) from operations		**566,204**	(452,723)
Income tax paid		**(94,526)**	(27,491)
Net cash from/(used in) operating activities		**471,678**	(480,214)

	NOTES	2020 HK$'000	2019 HK$'000
Investing activities			
Consideration paid for acquisition of additional interests in a subsidiary	43	–	(844)
Settlement of outstanding consideration for capital injection in a joint venture		–	(5,478)
Proceeds from disposal of investment properties		–	46,530
Proceeds from disposal of property, plant and equipment		522	2,104
Interest element of finance lease receivables		38	48
Interest received		9,431	4,191
Dividend income from joint ventures		21,318	4,868
Distribution of joint ventures		5,548	–
Purchase of antiques and artworks		–	(500)
Purchase of property, plant and equipment		(41,870)	(89,574)
Additions to construction in progress		(2,013)	(5,599)
Purchase of investment properties		(6,582)	(223)
Decrease in loans receivable, net		–	652
Proceeds on disposal of financial assets at fair value through other comprehensive income		–	150,606
Purchase of financial assets at fair value through other comprehensive income		(112,133)	(150,872)
Decrease in restricted bank deposits		3	(372)
Net cash used in investing activities		(125,738)	(44,463)
Financing activities	45		
New bank and other borrowings		941,935	908,381
Repayment of bank borrowings		(1,152,225)	(629,402)
Advances from a director		–	27,570
Repayment to a director		(44,485)	(5,245)
Advance from a joint venture		–	1,138
Payment of principal element of lease liabilities		(4,078)	(3,507)
Payment of interest element of lease liabilities		(732)	(607)
Payment of other interests		(31,452)	(39,497)
Dividend paid		(2,617)	(2,617)
Net cash inflow from deemed disposal of partial interest in a subsidiary	44	95,897	–
Net cash (used in)/from financing activities		(197,757)	256,214
Net increase/(decrease) in cash and cash equivalents		148,183	(268,463)
Cash and cash equivalents at 1 January		212,497	489,185
Effect of foreign exchange rate change		2,659	(8,225)
Cash and cash equivalents at 31 December		363,339	212,497
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		363,339	212,497

1. GENERAL INFORMATION

Shell Electric Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the address of its principal place of business is 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company are investment holding, securities trading and property leasing. The principal activities carried out by the Company and its subsidiaries (hereinafter collectively referred as the "Group") mainly comprise investment holding, selling of electric fans, manufacturing and marketing of power discrete semiconductors, contract manufacturing of fusers, laser scanners, paper handling options and electrical tools, property leasing, real estate investment and development, taxi rental, sales of motor vehicles and securities trading.

The shares of the Company's subsidiary, PFC Device Inc., engaging in manufacturing and sales of power discrete semiconductors business were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The shares of the Company's subsidiary, SMC Electric Limited ("SMC Electric"), engaging in manufacturing and selling of electric tools and sourcing and selling of electric fans were successfully listed on the Main Board of the Stock Exchange on 2 June 2020.

The financial statements for the year ended 31 December 2020 were approved and authorised for issue by the directors on 22 June 2021.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

2.1 Adoption of new or revised HKFRS – effective on 1 January 2020

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2020:

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

Other than the amendments to HKFRS 3, the adoption of above new or amended HKFRSs did not have material impact on the Group's accounting policies or financial results and financial position. Impact on the application of HKFRS 3 is summarised below.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") *(Continued)*

2.2 New or revised HKFRS that have been issued but not yet effective

The following new or revised HKFRS, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current[5]
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[5]
Amendments to HKAS 8	Definition of Accounting Estimates[5]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 9 Financial Instruments and Amendments to illustrative examples accompanying HKFRS 16 Leases[3]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for business combinations for which the date of acquisition is on after the beginning of the first annual period beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023
6 The amendments shall be applied prospectively to the sales or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

Amendments to HKAS 1 require material accounting policy information to be disclosed in financial statements rather than significant accounting policies and provide additional guidance in deciding which accounting policies should be disclosed. Amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to HKAS 12 require entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

The directors anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the possible effect of these new or revised standards on the Group's results and financial position in the first year of application. Except for the above amendments which may result in significant changes in disclosures for accounting policies in the financial statements, those new or revised HKFRS that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with HKFRS which collective term includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

3.2 Basis of measurement

These financial statements have been prepared under historical cost basis except for investment properties, land and buildings with ownership interests held for own use and certain financial instruments which are measured at fair value. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs of disposal. The measurement bases are fully described in the accounting policies below.

3.3 Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 4.2 below) made up to 31 December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All inter-company transactions, balances and unrealised gains on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from inter-company transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group's accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Business combination and basis of consolidation *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to the fair value of the contingent consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill arising on business combination is measured according to the policies in note 4.4.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest, and also the cumulative translation differences recorded in equity. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

– power over the investee;

– exposure, or rights, to variable returns from the investee; and

– the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Associates and joint arrangements

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party to the arrangement. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

– joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

– joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

– the structure of the joint arrangement;

– the legal form of joint arrangements structured through a separate vehicle;

– the contractual terms of the joint arrangement agreement; and

– any other facts and circumstances (including any other contractual arrangements).

Associates and joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' and joint ventures' net assets except that losses in excess of the Group's interest in the associates and joint ventures are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates and joint ventures are recognised only to the extent of unrelated investors' interests in the associate and joint venture. The investor's share in the associate's and joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the associate and joint venture. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for investment in an associate and a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in associate and joint venture. Where there is objective evidence that the investment in an associate and a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint operations are accounted for by recognising the Group's share of assets, liabilities, revenue and expenses in accordance with its contractually conferred rights and obligations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and joint ventures represents the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquire over the Group's interest in the fair value of the identifiable assets acquired and liabilities assumed including contingent liabilities as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and joint ventures, goodwill is included in the carrying amount of the interests in associates and joint ventures respectively, rather than recognised as a separate asset in the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the end of the reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 4.12). On subsequent disposal of a subsidiary, associate or joint venture, the carrying amount of goodwill associated with the disposed entity is included in determining the amount of gain or loss on disposal.

4.5 Bargain purchases in business combinations

Any excess of the Group's interest in the fair value of the acquirees' net identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is recognised immediately in profit or loss.

4.6 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose. Investment properties also include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment properties.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Right-of-use assets that meet the definition of investment properties are carried at fair value and presented in the statement of financial position as investment properties (note 4.11). Rental income from investment properties is accounted for as described in note 4.20(iv).

4.7 Property, plant and equipment including construction in progress

Except for freehold land which is not depreciated, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 4.8).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Land and buildings with ownership interests held for own use are stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. The revaluation surplus is recognised in equity. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under assets revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the assets revaluation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Property, plant and equipment including construction in progress *(Continued)*

Depreciation is provided to write off the cost or valuation of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful life on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	**Annual rates**
Leasehold land and buildings with ownership interests held for own use *(note 4.11)*	Over the shorter of the lease term of the land or estimated useful life of 20 to 50 years
Other properties leased for own use *(note 4.11)*	Over the shorter of the remaining lease term or estimated useful life.
Plant, machinery, tools, moulds and equipment	10% to 33.33%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles (including taxi)	20% to 25%

An annual transfer from assets revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued amount of an asset and the depreciation based on the asset's original cost.

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

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in profit or loss. When land and buildings are derecognised upon disposal, the relevant portion of the revaluation surplus will be directly transferred to retained profits.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 4.12).

4.8 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs of disposal. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the economic useful life and assessed for impairment (note 4.12) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment at least annually either individually or at cash-generating unit level. The useful life of an intangible asset with indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Taxi licences

Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Taxi licences which are granted for free are amortised over their estimated useful life of five years.

Small passenger car quota

Cost incurred in the acquisition of small passenger car quotas, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Patent, trademark and copyright

Separately acquired patent is measured at historical cost less any impairment losses. Patent, trademark and copyright acquired in a business combination is recognised at fair value at the acquisition date. Patent, trademark and copyright have finite useful lives and are carried at cost less accumulated amortisation less any impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patent, trademark and copyright over their estimated useful lives of five to eight years.

Research and development costs

Expenditure on the research phase of internal projects and development costs not satisfying the capitalisation criteria are recognised in profit or loss as incurred.

4.10 Other assets

Other assets represent antiques and art works held for long-term investment purposes and include club membership. Other assets are stated at cost less accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Leases

The Group as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities. The Group has elected as permitted under HKFRS 16 not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group accounts for leasehold land and buildings that are held to earn rentals and/or for capital appreciation under HKAS 40 *Investment Property* ("HKAS 40") and those assets are carried at fair value (note 4.6). Right-of-use assets that meet the definition of investment properties are carried at fair value and presented in the statement of financial position as investment properties. The Group accounts for leasehold land and buildings which the Group has ownership interest and are held for own use under HKAS 16 *Property, Plant and Equipment* and these assets are carried at revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses (note 4.7). Right-of-use assets related to interests in leasehold land where the interest in the land held as inventory are carried at the lower of cost and net realisable value (note 4.14).

Other than the above, the Group has also leased properties under tenancy agreements. These leases are measured according to the policies set out below and presented in property, plant and equipment under the category of "other properties leased for own use".

Right-of-use asset

Right-of-use asset is recognised at cost and comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures right-of-use assets at cost less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liability

Lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Leases *(Continued)*

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Rental income from operating lease 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 assets and recognised as an expense on the straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

4.12 Impairment of non-financial assets

Goodwill, intangible assets, property, plant and equipment, right-of-use assets, interests in subsidiaries, associates and joint ventures and other assets are subject to impairment testing. Goodwill, intangible assets and other assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value-in-use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered at their entirety when determining whether their cash flows are solely payments of principal and interest on the principal outstanding.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gain or losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

– Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains or losses and impairment are recognised in profit or loss. Other net gains or losses are recognised in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are reclassified to profit or loss.

– Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are measured at fair value with changes in fair value and interest income being recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains or losses are recognised in other comprehensive income and are not reclassified to profit or loss. On disposal of equity investment classified as financial assets at fair value through other comprehensive income, the amount accumulated in financial assets at fair value through other comprehensive income reserve (non-cycling) is transferred to retained profits. All other equity instruments are classified as financial assets at fair value through profit or loss and are subsequently measure at fair value, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on debt instruments carried at amortised cost (including trade receivables, loans receivable, finance lease receivables, other receivables, bank balances including restricted bank deposits) and debt investments measured at fair value through other comprehensive income. ECL are measured on either of the following bases: (i) 12-month ECL: these are the ECL that result from possible default events within 12 months after the reporting date; or (ii) lifetime ECL: these are the ECL that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured at the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the financial assets' original effective interest rate.

The Group measures loss allowances for trade receivables and lease receivables using simplified approach and has calculated ECL based on lifetime ECL. The Group has estimated a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the Group applies general approach to measure ECL that is to recognise a loss allowance based on 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, such as past due status and credit risk ratings.

The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group assesses whether a financial asset is credit-impaired at the end of the reporting period. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group considers a financial asset to be in default when: (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

The Group recognises an impairment loss or reversal in profit or loss for financial instruments carried at amortised cost by adjusting their carrying amount through the use of a loss allowance account.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

For investments in debt instruments that are measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve without reducing the carrying amounts of those debt instruments.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, lease liabilities, refundable deposits received, amounts due to related parties, loan from non-controlling shareholder and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (note 4.23).

Gain or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4.13(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15").

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.14 Inventories of properties

Inventories of properties represent properties under development. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventories of properties consist of interests in leasehold land (note 4.11), development expenditures including construction costs, borrowing costs capitalised (note 4.23) and other direct costs attributable to the development of such properties.

4.15 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

4.16 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as contract assets. Receivables are stated as amortised cost using the effective interest method (note 4.13(i)) less allowance for credit losses (note 4.13(ii)).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.18 Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 4.13(vi), trade and other payables are subsequently stated at amortised cost (note 4.13(iii)) unless the effect of discounting would be immaterial, in which case they are stated at cost.

4.19 Contract assets and contract liabilities

Contract assets represent 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. A contract asset is recognised when the Group recognises revenue (see note 4.20) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are reclassified to receivables when the right to the consideration has become unconditional (note 4.16).

Contract assets are assessed for ECL in accordance with the policy set out in note 4.13(ii). Loss allowance for contract assets is measured at an amount equal to lifetime ECL.

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 liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 4.20). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

4.20 Recognition of revenue and other income

Income is classified by the Group as revenue when it arises from the sales of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point of time. Control of the goods or service is transferred over time if:

– 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.

If the control of the goods or services is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point of time when the customer obtain control of the goods or service.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Recognition of revenue and other income *(Continued)*

When the contract contains a financing component which provides a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group recognises revenue and other income on the following basis:

(i) Revenue from sales of goods is recognised at a point in time when the customers obtain control of the goods. This is usually taken at the time when the goods are delivered to and accepted by customers, taking into account any sales returns, discounts and rebates allowed by the Group. In general, the contracts in relation to sales of goods contain one performance obligation. No element of significant financing is deemed to be as the sales are made with credit terms of 30 days to 60 days while certain customers are granted with credit period up to 180 days, which is consistent with the market practice.

(ii) Interest income is accrued on a time basis using the effective interest method by applying applicable interest rate on (i) the amortised cost (i.e. gross carrying amount less loss allowance for credit-impaired financial assets); or (ii) the gross carrying amount for non-credit impaired financial assets.

(iii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(iv) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(v) Taxi rental income is recognised in accordance with the substance of the licence agreement when the holders' right to receive payment has been established and the relevant services are delivered.

(vi) Handling fee income and other service income is recognised over time as those services are provided.

4.21 Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the group entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the rates ruling at the end of the reporting period are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the end of the reporting period are translated into HK$ at exchange rate prevailing at the end of the reporting period. Income and expense items are translated into HK$ at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the Group's translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in the translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period and reflects any uncertainty related to income taxes.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the end of the reporting period. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit or tax loss of the periods in which the temporary differences are expected to reverse. The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse; and (ii) the amount of taxable income in those years. The estimate of future taxable income includes (i) income or loss excluding reversals of temporary differences; and (ii) reversals of existing temporary differences.

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

The carrying amount of deferred tax assets is reviewed at each reporting date 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 assets to be recovered.

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 tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.23 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 be ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.24 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

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

4.25 Share-based payment transactions

The Group operates equity-settled share-based compensation plans for remuneration of its employees and others providing similar services. All employee services received in exchange for the grant of financial instruments, for example, share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value of the equity instruments at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The fair value of the share options granted is recognised in profit or loss with a corresponding increase in share option reserve. Upon exercise of the share options, the relevant amount in share option reserve is transferred to share premium or retained profits as appropriate. In case the vested share options are forfeited, the amount in the share option reserve is released directly to retained profits.

4.26 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.27 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4.28 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.

Grants that compensate the Group for expenses incurred are recognised as income or deducted in the related expenses, as appropriate, in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

When the Group receives a non-monetary grant, the asset and the grant are recorded at nominal amount. The grant is recognised as deferred income which is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Government grants 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 and are recognised as other income, rather than reducing the related expense.

4.29 Related parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

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

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of key management personnel of the Company or the Company's parent.

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

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of the employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.29 Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

4.30 Business information

Business segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgment used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In addition to information disclosed elsewhere in these financial statements, the estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of properties

As disclosed in notes 14 and 15, the fair value of the investment properties and land and buildings with ownership interests held for own use as at the end of the reporting period were estimated by the directors with reference to property valuation conducted by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might differ significantly from the actual results. In making the judgment, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

The carrying amounts of the Group's investment properties and land and buildings with ownership interests held for own use as at 31 December 2020 were HK$2,603,250,000 (2019: HK$2,517,995,000) and HK$416,120,000 (2019: HK$403,168,000) respectively. Further details of the fair value measurement of these properties are set out in notes 14 and 15.

Fair value of unlisted investments

As disclosed in notes 20 and 27, the Group held certain unlisted investments which are carried at fair value of HK$549,301,000 (2019: HK$127,957,000). The fair values of these investments were estimated by management with reference to quotations provided by the brokers and where applicable, the subscription price of related capital transaction of the investee. The valuation requires the Group to make estimates and assumptions that are subject to uncertainty.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

5.1 Key sources of estimation uncertainty *(Continued)*

Impairment of non-financial assets

The Group reviews at least annually and assesses whether taxi licences and small passenger car quotas with indefinite useful lives have suffered any impairment. Other assets including property, plant and equipment with definite useful lives are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds their recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on the higher of fair value less costs of disposal and value-in-use. Discounted cash flow approach is adopted in determining recoverable amount under the value-in-use basis and in some circumstances, the fair value less costs of disposal basis. The use of discounted cash flow approach in estimating the recoverable amount incorporates a number of key estimates and assumptions about future events and therefore, are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgments for discounted cash flow approach, the directors take into consideration assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Future changes in the events and conditions underlying the estimates and judgements would affect the estimation of recoverable amounts and result in adjustments to their carrying amounts. Based on the annual impairment assessment of taxi licences under intangible asset as 31 December 2020, the recoverable amount of the cash-generating unit to which taxi licences belong to is higher than its carrying amount and thus no additional impairment loss is recognised for taxi licences and the relevant property, plant and equipment for the year ended 31 December 2020. Details about the estimates used in assessing the impairment of other taxi licences and the relevant property, plant and equipment are set out in note 17.

Loss allowance on financial assets

The measurement of loss allowance for ECL of financial assets requires judgment and estimation, in particular, the assessment of a significant increase in credit risk and credit-impaired financial assets as well as the estimation of the amount and timing of future cash flows when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over their expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Detail of the key assumptions and inputs used for impairment assessment under ECL model are set out in note 55.3.

Estimation of net realisable value of inventories of properties

Include in the consolidated statement of financial position at 31 December 2020 is inventories of properties with an aggregate carrying amount of HK$308,236,000 (2019: HK$1,433,390,000), which are stated at lower of cost and net realizable value (note 24). Management reviews the recoverable amount of inventories of properties at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less estimated costs to completion and estimated costs of disposal. Management has made significant estimation in determining the recoverable amount of the inventories of properties.

Allowance for inventories

The carrying amount of other inventories as at 31 December 2020 was HK$138,724,000 (2019: HK$129,843,000) (note 25). In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgment is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes varies amongst various cities in the People's Republic of China (the "PRC") and the countries in which the Group operates. The Group recognised income tax and other taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

5.2 Critical judgments in applying accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in marking its judgment.

Joint arrangement

As at 31 December 2020, the Group held equity interest and voting right of a joint arrangement (note 19). The contractual agreement confers joint control over the relevant activities of the joint arrangement to the Group and the other venturers. In addition, the joint arrangement is structured as a limited company and provides the Group and the other venturers to the arrangement with rights to the net assets of the limited company under the arrangement. Therefore, based on the judgment of the management, the arrangement is classified as a joint venture.

6. REVENUE AND OTHER INCOME

The principal activities of the Group are disclosed in note 1. Revenue from the Group's principal activities recognised during the year is as follows:

	2020 **HK$'000**	2019 HK$'000
Revenue from contracts with customers		
Sales of goods *(note (a))*	**832,687**	951,760
Sales of land parcels *(note (b))*	**1,832,336**	–
	2,665,023	951,760
Revenue from other sources		
Taxi rental income	**59,228**	50,587
Property rental income	**100,744**	107,514
Interest element of finance lease of cars *(note 23)*	**124**	220
	160,096	158,321
	2,825,119	1,110,081

Notes:

(a) The Group's sales contracts for electrical appliances and power discrete semiconductors generally have an original expected duration of one year or less and accordingly, the Group has applied the practical expedient in HKFRS 15 not to disclose the transaction price allocated to the remaining performance obligations for the existing contracts.

(b) During the year, the Group disposed of certain land parcels through disposing the equity interests of some subsidiaries, namely 廣州華皇房地產開發有限公司 ("Guangzhou Hua Huang") and 佛山市宇民企業管理有限公司 ("Foshan Yumin") and derived revenue therefrom amounting to HK$1,832,336,000 in aggregate. Guangzhou Hua Huang and Foshan Yumin were established in the PRC for holding the interests in those land parcels and the considerations in relation to the sales of the land parcels held by Guangzhou Hua Huang and Foshan Yumin are RMB580,000,000 (equivalent to approximately HK$636,956,000) and RMB1,036,667,000 (equivalent to approximate HK$1,195,380,000) respectively.

6. REVENUE AND OTHER INCOME *(Continued)*

Other income of the Group recognised during the year is as follows:

	2020 **HK$'000**	2019 HK$'000
Interest income on:		
Bank deposits	**2,130**	2,946
Finance lease of LED light tubes *(note 23)*	**38**	48
Others, including receivables	**9,344**	1,225
Total interest income	**11,512**	4,219
Dividends from financial assets at fair value through profit or loss	**–**	2,018
Dividends from financial assets at fair value through other comprehensive income	**27,954**	12,476
Other rental income	**1,096**	250
Handling fee income	**2,316**	4,553
Recharge of materials and freight costs to customers	**2,832**	6,970
Product engineering services to customers	**3,065**	5,336
Government grants *(note)*	**6,324**	1,140
Sundry income	**8,445**	10,135
	63,544	47,097

Note:

Government grants mainly included (i) special funds subsidy to small and medium-sized enterprises as well as subsidies as reward to recognise the Group's contribution in enhancing the level of industry development in the district, reward for innovation of high-tech products as well as employing the disabled person received by the Group from the PRC government which amounted to HK$4,072,000 (2019: HK$1,140,000); and (ii) subsidy amounting to RMB2,000,000 (equivalent to HK$2,252,000) (2019: nil) received from the PRC government as a reward for the successful listing of SMC Electric on the Main Board of the Stock Exchange.

7. BUSINESS INFORMATION

The following business segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resources allocation and assessment of segment performance.

Electrical appliances	This segment designs, manufactures and trades electrical appliances. Electrical appliances include electric fans, vacuum cleaners, LED lighting products, paper handling options, fuser, laser scanning unit. The Group's manufacturing facilities are located in the PRC and products are mainly sold to customers in the PRC and overseas such as North America and European countries.
Power discrete semiconductors	This segment manufactures and trades power discrete semiconductors. The manufacturing facilities are located in the PRC and products are mainly sold to customers in the PRC and Taiwan.
Property leasing	This segment mainly leases industrial and commercial properties in Hong Kong, other regions of the PRC and the United States (the "USA") to generate rental income and gain from appreciation in the properties' value in long-term. Part of the business is carried out through an associate.
Real estate investment and development	This segment mainly invests and develops real estate projects in Hong Kong and other regions of the PRC for external customers.
Securities investment	This segment mainly invests in debt and equity securities and other instruments to generate gain from appreciation in those securities and instruments.
Taxi rental and sales of motor vehicles	This segment carries on taxi rental operations in the PRC to generate rental income and engages in sale of motor vehicles business. In current year, this segment also engages in operating electric vehicle charging station and derives revenue from sales of electricity for electric vehicles.
Other segments	These comprise trading of computer software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business.

Revenue and expenses are allocated to the business segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and joint ventures. Segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the business segments. Each of the business segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of tax assets and corporate assets, including certain bank balances and cash, club membership and other assets which are not directly attributable to the business activities of business segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, lease liabilities, amounts due to related parties, borrowings and other liabilities directly attributable to the business activities of business segments and exclude tax liabilities, corporate liabilities and liabilities that are managed on a group basis.

7. BUSINESS INFORMATION *(Continued)*

Disaggregation of revenue by timing of revenue recognition is set out as follows:

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Real estate investment and development HK$'000	Securities investment HK$'000	Taxi rental and sales of motor vehicles HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2020								
Revenue from contracts with customers disaggregated by timing of revenue recognition								
– Goods and land parcels transferred at a point in time	**664,003**	**163,463**	**–**	**1,832,336**	**–**	**3,496**	**1,725**	**2,665,023**
Revenue from other sources								
– Taxi rental income	**–**	**–**	**–**	**–**	**–**	**59,228**	**–**	**59,228**
– Property rental income	**–**	**–**	**100,744**	**–**	**–**	**–**	**–**	**100,744**
– Interest element of financial lease of cars	**–**	**–**	**–**	**–**	**–**	**124**	**–**	**124**
	–	**–**	**100,744**	**–**	**–**	**59,352**	**–**	**160,096**
	664,003	**163,463**	**100,744**	**1,832,336**	**–**	**62,848**	**1,725**	**2,825,119**

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Real estate investment and development HK$'000	Securities investment HK$'000	Taxi rental and sales of motor vehicles HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2019								
Revenue from contracts with customers disaggregated by timing of revenue recognition								
– Goods transferred at a point in time	807,040	140,800	–	–	–	3,041	879	951,760
Revenue from other sources								
– Taxi rental income	–	–	–	–	–	50,587	–	50,587
– Property rental income	–	–	107,514	–	–	–	–	107,514
– Interest element of financial lease of cars	–	–	–	–	–	220	–	220
	–	–	107,514	–	–	50,807	–	158,321
	807,040	140,800	107,514	–	–	53,848	879	1,110,081

7. BUSINESS INFORMATION *(Continued)*

Information regarding the Group's business segments including revenue, profit or loss, assets and liabilities by business segments and other information about the business segments are as follows:

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Real estate investment and development HK$'000	Securities investment HK$'000	Taxi rental and sales of motor vehicles HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2020								
Revenue	664,003	163,463	100,744	1,832,336	–	62,848	1,725	2,825,119
Profit/(Loss)	59,459	6,380	41,701	551,424	(11,010)	15,970	(31,821)	632,103
Corporate income								750
Corporate expenses								(94,561)
Profit before income tax								538,292
As at 31 December 2020								
Assets	694,010	230,090	2,871,548	1,257,808	904,069	322,823	111,600	6,391,948
Property, plant and equipment								192,294
Other assets								74,988
Tax assets								5,069
Other corporate assets								60,583
Total consolidated assets								6,724,882
As at 31 December 2020								
Liabilities	184,273	26,797	453,113	485,159	150,279	75,380	20,342	1,395,343
Borrowings								59,105
Tax liabilities								687,518
Other corporate liabilities								166,981
Total consolidated liabilities								2,308,947

7. BUSINESS INFORMATION *(Continued)*

	Electrical appliances HK$'000	**Power discrete semiconductors HK$'000**	**Property leasing HK$'000**	**Real estate investment and development HK$'000**	**Securities investment HK$'000**	**Taxi rental and sales of motor vehicles HK$'000**	**Other segments HK$'000**	**Corporate HK$'000**	**Consolidated HK$'000**
Other information:									
Year ended 31 December 2020									
Interest income	**596**	**306**	**235**	**9,278**	**5**	**318**	**391**	**507**	**11,636**
Finance costs	**1,325**	**47**	**13,476**	**8,893**	**585**	**1,974**	**–**	**13,652**	**39,952**
Depreciation and amortisation	**15,550**	**14,116**	**143**	**–**	**–**	**24,107**	**10,985**	**6,582**	**71,483**
Fair value loss on investment properties	**–**	**–**	**32,168**	**–**	**–**	**–**	**–**	**–**	**32,168**
Fair value loss on financial assets/ liabilities at fair value through profit or loss	**–**	**–**	**–**	**–**	**38,249**	**–**	**–**	**–**	**38,249**
Impairment loss on financial assets recognised in profit or loss	**92**	**–**	**389**	**–**	**–**	**204**	**–**	**–**	**685**
(Reversal of allowance)/Allowance for other inventories	**(184)**	**1,168**	**–**	**–**	**–**	**–**	**–**	**–**	**984**
Write-off of property, plant and equipment	**–**	**94**	**–**	**–**	**–**	**–**	**–**	**–**	**94**
Share of profit of associates	**–**	**–**	**10,940**	**–**	**–**	**–**	**–**	**–**	**10,940**
Share of profit of joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**21,415**	**–**	**21,415**
Capital expenditure^	**7,906**	**6,047**	**6,582**	**–**	**–**	**18,926**	**13,843**	**15**	**53,319**
As at 31 December 2020									
Interests in associates	**–**	**–**	**174,566**	**–**	**–**	**–**	**–**	**–**	**174,566**
Interests in joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**20,817**	**–**	**20,817**

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Real estate investment and development HK$'000	Securities investment HK$'000	Taxi rental and sales of motor vehicles HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2019								
Revenue	807,040	140,800	107,514	–	–	53,848	879	1,110,081
Profit/(Loss)	80,150	(8,880)	88,476	(4,602)	14,627	(12,112)	(39,856)	117,803
Corporate income								336
Corporate expenses								(62,414)
Profit before income tax								55,725
As at 31 December 2019								
Assets	636,508	208,044	2,760,770	1,494,943	540,561	294,220	104,036	6,039,082
Property, plant and equipment								193,613
Other assets								74,988
Tax assets								3,353
Other corporate assets								23,383
Total consolidated assets								6,334,419
As at 31 December 2019								
Liabilities	354,534	20,575	475,122	307,749	119,202	78,425	20,098	1,375,705
Borrowings								390,983
Tax liabilities								662,347
Other corporate liabilities								191,554
Total consolidated liabilities								2,620,589

7. BUSINESS INFORMATION *(Continued)*

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Real estate investment and development HK$'000	Securities investment HK$'000	Taxi rental and sales of motor vehicles HK$'000	Other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:									
Year ended 31 December 2019									
Interest income	2,537	53	441	2	36	684	436	250	4,439
Finance costs	4,361	270	17,974	1,352	359	611	–	20,265	45,192
Depreciation and amortisation	14,458	14,508	190	–	–	15,867	5,518	6,509	57,050
Fair value gain on investment properties	–	–	17,582	–	–	–	–	–	17,582
Fair value gain on financial assets at fair value through profit or loss	–	–	–	–	586	–	–	–	586
(Reversal of impairment loss)/ Impairment loss on financial assets recognised in profit or loss	(53)	–	234	–	–	137	–	(20,693)	(20,375)
(Reversal of allowance)/Allowance for other inventories	(498)	3,178	–	–	–	–	–	–	2,680
Impairment loss on intangible assets	–	–	–	–	–	11,070	–	–	11,070
Impairment loss on property, plant and equipment	–	–	–	–	–	7,978	–	–	7,978
Write-off of property, plant and equipment	–	–	–	–	–	–	21	–	21
Share of profit of associates	–	–	5,184	–	–	–	–	–	5,184
Share of profit of joint ventures	–	–	–	–	–	–	16,694	–	16,694
Capital expenditure^	3,621	2,518	223	–	–	98,868	7,070	1,417	113,717
As at 31 December 2019									
Interests in associates	–	–	156,958	–	–	–	–	–	156,958
Interests in joint ventures	–	–	–	–	–	–	24,507	–	24,507

^ Capital expenditure includes additions to investment properties, property, plant and equipment (including right-of-use assets), construction in progress, prepayments for acquisition of property, plant and equipment, intangible assets and other assets but excluding reclassification or transfer among these items.

An analysis of the Group's revenue by geographical location, determined based on (i) location of customers or location to which the goods are delivered; or (ii) location of properties in case of rental income, is as follows:

	2020 HK$'000	2019 HK$'000
Hong Kong (Place of domicile)	**28,342**	29,304
Other regions of the PRC	**2,408,025**	639,295
Taiwan	**63,703**	56,398
Other Asian countries	**33,150**	45,159
Australia	**48,360**	44,906
North America (comprising Canada and the USA)	**204,168**	237,379
Europe	**27,993**	43,673
Others	**11,378**	13,967
	2,825,119	1,110,081

7. BUSINESS INFORMATION *(Continued)*

An analysis of the Group's non-current assets excluding financial instruments and deferred tax assets by geographical locations, determined based on location of the assets or location of operations in case of interests in associates and joint ventures, is as follows:

	2020 HK$'000	2019 HK$'000
Hong Kong	**734,713**	732,042
Other regions of the PRC	**2,670,260**	2,516,852
Asia, other than the PRC	**61,819**	65,377
North America	**188,695**	212,879
United Kingdom	**37,756**	37,112
	3,693,243	3,564,262

Revenue derived from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2020 HK$'000	2019 HK$'000
Customer A	**N/A**	263,463
Customer B	**N/A**	178,511
Customer C	**N/A**	152,694
Customer D	**1,195,380**	N/A
Customer E	**636,956**	N/A

N/A: not applicable as revenue from this customer is less than 10% of the Group's revenue.

Revenue derived from the above major customers for the year is reported under the segment "Real estate investment and development", while those for last year was reported under the segment of "Electrical appliances".

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest charges on:		
Bank loans and overdrafts	**30,867**	39,139
Lease liabilities *(note 32)*	**732**	607
Other liabilities	**585**	358
Total interest expense	**32,184**	40,104
Bank charges and arrangement fee	**7,768**	5,088
	39,952	45,192

9. PROFIT BEFORE INCOME TAX

	2020	2019
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation		
Intangible assets#	**7**	–
Depreciation:		
Right-of-use assets		
Land and buildings with ownership interests held for own use	**18,664**	17,196
Other properties leased for own use	**3,849**	3,091
Furniture and equipment	**1,006**	1,016
Other property, plant and equipment	**47,957**	35,747
	71,476	57,050
Auditors' remuneration:		
Current year	**2,923**	2,538
Under-provision in prior year	**53**	5
Cost of sales and services provided comprise:		
Amount of inventories recognised as expense	**1,867,410**	721,543
Allowance for other inventories	**984**	2,680
Directors' emoluments	**51,797**	24,594
Donations	**2,917**	1,336
Loss on disposal of property, plant and equipment	**393**	3,152
Impairment loss/(Reversal of impairment loss) on financial assets at amortised cost	**681**	(20,375)
Write-off of financial assets at amortised cost	**4**	–
Write-off of property, plant and equipment	**94**	21
Outgoings in respect of investment properties	**24,226**	22,228
Net rental income from investment properties	**(76,518)**	(85,286)
Research and development cost^	**35,220**	41,790
Lease expenses for low-value assets	**80**	543
Staff costs *(note 11)*	**170,031**	159,141

included in "Cost of sales and services provided" in the consolidated income statement

^ including depreciation of property, plant and equipment and staff costs of HK$335,000 (2019: HK$5,483,000) and HK$1,896,000 (2019: HK$1,890,000) respectively

10. INCOME TAX EXPENSE

	2020	2019
	HK$'000	HK$'000
Income tax expense comprise:		
Current tax for the year		
Hong Kong profits tax	**6,671**	8,951
Other regions of the PRC – Enterprise Income Tax ("EIT")	**76,685**	8,286
Other regions of the PRC – Land Appreciation Tax ("LAT")	**67**	–
Others	**6**	6
	83,429	17,243
(Over)/Under provision in prior years		
Hong Kong profits tax	**(129)**	(283)
Other regions of the PRC	**136**	(528)
Others	**(215)**	152
	(208)	(659)
Deferred tax *(note 37)*		
PRC LAT	**(4,091)**	(878)
Other income tax	**(1,417)**	922
	(5,508)	44
Income tax expense	**77,713**	16,628

For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits derived from Hong Kong, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, first HK$2 million of assessable profits of the qualifying entity is taxed at 8.25% and whereas profits above HK$2 million are taxed at 16.5%. The profits of entities that are subject to Hong Kong Profits Tax but not qualified for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

EIT arising from other regions of the PRC is calculated at 10% to 25% (2019: 10% to 25%) on the estimated assessable income for the year.

PRC LAT is levied at progressive rates from 30% to 60% (2019: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

Overseas tax is calculated at the rates applicable in the respective jurisdictions.

10. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before income tax in the consolidated income statement at applicable tax rates as follows:

	2020 HK$'000	2019 HK$'000
Profit before income tax	**538,292**	55,725
Tax on profit at the rates applicable to profits in the jurisdictions concerned	**54,223**	6,832
Tax effect of expenses not deductible for tax purpose	**28,380**	18,544
Tax effect of income not taxable for tax purpose	**(17,600)**	(17,324)
Share of results of associates and joint ventures	**(5,081)**	(3,917)
Utilisation of tax losses and other temporary differences previously not recognised	**(1,125)**	(545)
Tax losses not recognised	**24,215**	11,915
Over-provision in prior years	**(208)**	(659)
Effect of withholding tax on distributable profits of the Company's PRC subsidiaries	**1,602**	197
PRC LAT	**(4,024)**	(878)
Others	**(2,669)**	2,463
Income tax expense	**77,713**	16,628

11. STAFF COSTS

Staff costs (including directors' emoluments) comprise:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and other benefits*	**164,836**	149,719
Retirement fund contributions *(note 46)*	**4,620**	9,224
Equity-settled share-based payment expense *(note 41(b))*	**33**	110
Termination benefits	**542**	88
	170,031	159,141

* In current year, the Group received subsidies of HK$4,764,000 (2019: nil) from the Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by The Government of the Hong Kong Special Administrative Region supporting the payroll of the Group's employees. Under the ESS, the Group had committed to spend these subsidies on payroll expenses and not reduce employee headcount below prescribed levels for a specified period. Such subsidies were deducted from the Group's staff costs for the year.

12. DIVIDENDS

(a) Dividend payable to owners of the Company attributable to the year

	2020 HK$'000	2019 HK$'000
Proposed final dividend — HK$0.005 (2019: HK$0.005) per ordinary share	**2,617**	2,617

The final dividend of HK$0.005 (2019: HK$0.005) per ordinary share, amounting to HK$2,617,000 (2019: HK$2,617,000), has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

(b) Dividend payable to owners of the Company attributable to previous financial year

	2020 HK$'000	2019 HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK$0.005 (2019: HK$0.005) per ordinary share	**2,617**	2,617

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$453,111,000 (2019: HK$44,167,000) and the weighted average number of ordinary shares in issue during the year of 523,455,000 (2019: 523,485,000).

Diluted earnings per share for the year ended 31 December 2020 is same as the basic earnings per share because (i) the Company did not assume the exercise of the outstanding share options granted by PFC Device Inc. (note 41(b)) since the exercise price of the share options is higher than the average market price of PFC Device Inc. for the year; and (ii) the exercise of the options granted by Netlink Assets Limited (note 41(a)) had an anti-dilutive effect on the earnings per share.

Diluted earnings per share for the year ended 31 December 2019 was same as the basic earnings per share as the exercise of the options granted by certain subsidiaries (note 41) had an anti-dilutive effect on the basic earnings per share.

14. INVESTMENT PROPERTIES

	2020	2019
	HK$'000	HK$'000
Carrying amount at 1 January	**2,517,995**	2,588,139
Translation adjustment	**110,841**	(40,014)
Additions	**6,582**	223
Disposal *(note)*	**–**	(47,935)
(Decrease)/Increase in fair value*	**(32,168)**	17,582
Carrying amount at 31 December	**2,603,250**	2,517,995

* disclosed as "Fair value (loss)/gain on investment properties" in the consolidated income statement

Note: During the year ended 31 December 2019, the Group disposed of an investment property which is situated in the PRC with carrying amount of HK$47,935,000 at net disposal proceeds of HK$46,530,000 and thus recognised a loss on disposal of HK$1,405,000.

The Group's investment properties are measured at fair value on a recurring basis. The fair values of the investment properties as at 31 December 2020 and 2019 were assessed by the directors with reference to property valuations at those dates conducted by independent professional valuers. Valuation of investment properties which are situated in Hong Kong and other regions of the PRC, and the United Kingdom were carried out by Knight Frank Petty Limited and Knight Frank LLP respectively. In respect of the investment properties situated in the USA, valuation as at 31 December 2020 and 2019 were carried out by Newmark Knight Frank Valuation & Advisory, LLC. The above valuers are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.

The fair value measurement of the Group's investment properties has been categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement* ("HKFRS 13"). All of the fair values of the investment properties as at 31 December 2020 and 2019 are level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. There were no transfers between level 1 and level 2, or transfers into or out of level 3 during the year and in prior year.

14. INVESTMENT PROPERTIES *(Continued)*

Below is a summary of the valuation techniques and key inputs to the valuations as at the end of the reporting period:

Properties	Location	Valuation technique	Unobservable inputs	Unobservable inputs	Relationship of unobservable inputs to fair value
Industrial premises	Hong Kong	Direct Comparison Approach	Unit price per square foot ("sq.ft.")	HK$4,214 (2019: HK$4,213) per sq. ft.	The higher the unit price, the higher the fair value
Industrial premises	Hong Kong	Income Capitalisation Approach	Monthly rent per sq. ft.	HK$42.5 (2019: HK$42.5) per sq. ft.	The higher the market rent, the higher the fair value
			Capitalisation rate	3.8% (2019: 3.8%)	The higher the capitalisation rate, the lower the fair value
Commercial complex	PRC	Income Capitalisation Approach	Daily rent per square metre ("sq.m.")	Renminbi ("RMB") 6 (2019: RMB6) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.5% (2019: 5.5%)	The higher the capitalisation rate, the lower the fair value
Commercial premise	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB200 (2019: RMB200) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.5% (2019: 5.5%)	The higher the capitalisation rate, the lower the fair value
Industrial complex	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB7,800 (2019: RMB7,800) per sq. m.	The higher the unit rate, the higher the fair value
Residential premise	United Kingdom	Sales Comparison Approach	Unit price per sq. ft.	British Pound Sterling ("GBP") 1,603 to GBP1,778 (2019: GBP1,603 to GBP1,819) per sq. ft.	The higher the unit price, the higher the fair value
Commercial complex	USA	Income Capitalisation Approach – Discounted cash flow method	Monthly rent per sq. ft.	United States Dollars ("US$") 1.05 to US$1.25 (2019: US$1.1 to US$1.25) per sq. ft.	The higher the market rent, the higher the fair value
			Terminal capitalisation rate	7.50% to 8.5% (2019: 7.50% to 8.25%)	The higher the terminal capitalisation rate, the lower the fair value
			Internal rate of return	10.0% to 11.0% (2019: 10.0% to 11.5%)	The higher the internal rate of return, the lower the fair value

14. INVESTMENT PROPERTIES *(Continued)*

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

Under Sales Comparison Approach or Direct Comparison Approach, fair value is assessed by reference to market comparable transactions available in the relevant market.

Under Income Capitalisation Approach, fair value is assessed on the basis of capitalisation of net income.

Under Income Capitalisation Approach – Discounted cash flow method, fair value is assessed by discounting cash flow series associated with the properties using risk-adjusted discounted rates.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 48.

In securing the borrowings, the Group has undertaken, under a negative pledge clause, to obtain prior written consent from the relevant banks regarding the transfer, sales or disposal of certain investment properties with carrying amount of HK$538,400,000 (2019: HK$537,600,000) as at 31 December 2020.

Certain investment properties of the Group are pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 47.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings with ownership interests held for own use HK$'000	Other properties leased for own use HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2019	393,531	13,752	185,193	75,652	76,854	98,129	843,111
Translation adjustment	(5,053)	(339)	(4,079)	(938)	(1,261)	(2,177)	(13,847)
Additions	–	4,465	4,631	1,871	3,385	81,671	96,023
Disposals	–	–	(1)	–	(4,323)	(65,841)	(70,165)
Write-off	–	–	(58)	(34)	(221)	–	(313)
Revaluation adjustment *(note (a))*	14,690	–	–	–	–	–	14,690
At 31 December 2019 and 1 January 2020	**403,168**	**17,878**	**185,686**	**76,551**	**74,434**	**111,782**	**869,499**
Translation adjustment	**14,638**	**1,181**	**13,308**	**4,148**	**3,758**	**7,719**	**44,752**
Additions	**–**	**1,620**	**18,716**	**2,462**	**2,013**	**24,863**	**49,674**
Disposals	**(304)**	**–**	**(90)**	**–**	**(11)**	**(2,592)**	**(2,997)**
Write-off	**–**	**(953)**	**(386)**	**–**	**(60)**	**–**	**(1,399)**
Transfer from construction in progress *(note 16)*	**–**	**–**	**7,559**	**–**	**–**	**–**	**7,559**
Revaluation adjustment *(note (a))*	**(1,382)**	**–**	**–**	**–**	**–**	**–**	**(1,382)**
At 31 December 2020	**416,120**	**19,726**	**224,793**	**83,161**	**80,134**	**141,772**	**965,706**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2019	–	–	79,791	72,097	54,728	54,883	261,499
Translation adjustment	–	(19)	(1,957)	(972)	(924)	(577)	(4,449)
Depreciation provided	17,196	3,091	16,156	1,309	5,279	14,019	57,050
Disposals	–	–	(1)	–	(4,090)	(42,644)	(46,735)
Write-off	–	–	(58)	(34)	(200)	–	(292)
Impairment *(note (c))*	–	–	–	–	–	7,978	7,978
Revaluation adjustment *(note (a))*	(17,196)	–	–	–	–	–	(17,196)
At 31 December 2019 and 1 January 2020	**–**	**3,072**	**93,931**	**72,400**	**54,793**	**33,659**	**257,855**
Translation adjustment	**–**	**357**	**6,768**	**3,883**	**3,090**	**2,496**	**16,594**
Depreciation provided	**18,664**	**3,849**	**18,764**	**1,863**	**7,860**	**20,476**	**71,476**
Disposals	**–**	**–**	**–**	**–**	**–**	**(2,082)**	**(2,082)**
Write-off	**–**	**(953)**	**(292)**	**–**	**(60)**	**–**	**(1,305)**
Revaluation adjustment *(note (a))*	**(18,664)**	**–**	**–**	**–**	**–**	**–**	**(18,664)**
At 31 December 2020	**–**	**6,325**	**119,171**	**78,146**	**65,683**	**54,549**	**323,874**
NET CARRYING AMOUNT							
At 31 December 2020	**416,120**	**13,401**	**105,622**	**5,015**	**14,451**	**87,223**	**641,832**
At 31 December 2019	403,168	14,806	91,755	4,151	19,641	78,123	611,644

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

Notes:

(a) Land and buildings for which the Group has ownership interests and are held for own use are stated at revalued amount less any subsequent accumulated depreciation and impairment losses. As at 31 December 2020, the Group recorded a net increase in fair value for these land and buildings of HK$17,282,000 (2019: HK$31,886,000). The increase in fair value net of income tax expense of HK$911,000 (2019: HK$7,201,000) which amounted to HK$16,371,000 (2019: HK$24,685,000) is dealt with in assets revaluation reserve in equity.

For land and buildings with ownership interests held for own use, the difference in depreciation provided based on the original cost and revalued amount for the year ended 31 December 2020 amounting to HK$13,141,000 (2019: HK$11,426,000) was reclassified from assets revaluation reserve to retained profits.

(b) The fair values of the land and buildings with ownership interests held for own use as at 31 December 2020 and 2019 were assessed by the directors with reference to property valuations at those dates conducted by independent professional valuers. Valuation of the land and buildings situated in Hong Kong and other regions of the PRC were conducted by Knight Frank Petty Limited whereas valuation of the land and buildings situated in Thailand was carried out by Knight Frank Chartered (Thailand) Company Limited. Both Knight Frank Petty Limited and Knight Frank Chartered (Thailand) Company Limited are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.

The fair value measurement of the Group's land and buildings with ownership interests held for own use have been categorised into the three-level fair value hierarchy as defined in HKFRS 13. All the fair values of these land and buildings as at 31 December 2020 and 2019 are level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. There were no transfers between level 1 and level 2, or transfers into or out of level 3 during the year and in prior year.

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

Notes: (Continued)

(b) (Continued)

Below is a summary of the valuation techniques and key inputs to the valuations of land and buildings with ownership interests held for own use as at the end of the reporting period:

Properties	Location	Valuation technique	Unobservable inputs	Unobservable inputs	Relationship of unobservable inputs to fair value
Industrial premises	Hong Kong	Direct Comparison Approach	Unit price per sq. ft	HK$3,500 – HK$4,214 (2019: HK$2,850 – HK$4,213) per sq. ft.	The higher the unit price, the higher the fair value
Industrial premises	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB14 (2019: RMB14) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	6.75% (2019: 6.75%)	The higher the capitalisation rate, the lower the fair value
Residential premises	PRC	Direct Comparison Approach	Unit rate per sq. m.	N/A^ (2019: RMB3,400 per sq. m.)	The higher the unit rate, the higher the fair value
Commercial complex	PRC	Income Capitalisation Approach	Daily rent per sq. m.	RMB6 (2019: RMB6) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.5% (2019: 5.5%)	The higher the capitalisation rate, the lower the fair value
Commercial premises	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB39,000 (2019: RMB39,000 per sq. m.)	The higher the unit rate, the higher the fair value
Commercial premises	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB58,000 (2019: RMB58,000) per sq. m.	The higher the unit rate, the higher the fair value
Residential premises	Thailand	Direct Comparison Approach	Unit price per sq. m.	US$3,164 (2019: US$3,371) per sq. m.	The higher the unit price, the higher the fair value

^ The residential premises was disposed of during 2020.

The fair value measurement is based on the highest and best use of the properties, which does not differ from their actual use.

Under Direct Comparison Approach, fair value is assessed by reference to market comparable transactions available in the relevant market. Under Income Capitalisation Approach, fair value is assessed on the basis of capitalisation of net income.

Had the revalued properties been measured on cost model, their net carrying amount would have been HK$117,340,000 (2019: HK$117,923,000).

(c) During the year ended 31 December 2019, impairment provision was made for certain property, plant and equipment which were being deployed by the business segment of taxi rental and sales of motor vehicles, which amounted to HK$7,978,000. Details of the impairment assessment are set out in note 17.

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

Notes: (Continued)

(d) The analysis of the net carrying amount of right-of-use assets by class of underlying asset is as follows:

	2020	2019
	HK$'000	HK$'000
Ownership interests in leasehold land and buildings held for own use, carried at revalued amount	**416,120**	403,168
Other properties leased for own use, carried at depreciated cost	**13,401**	14,806
Furniture, fixtures and office equipment	**2,017**	2,892
	431,538	420,866

(e) In securing the borrowings, the Group has undertaken under a negative pledge clause to obtain prior written consent from the relevant banks regarding the transfer, sales or disposal of certain property, plant and equipment with carrying amount of HK$320,682,000 as at 31 December 2020 (2019: HK$305,938,000).

Certain property, plant and equipment of the Group are pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 47.

16. CONSTRUCTION IN PROGRESS

	2020	2019
	HK$'000	HK$'000
Carrying amount at 1 January	**5,497**	–
Translation adjustment	**49**	(102)
Additions	**2,013**	5,599
Transfer to property, plant and equipment *(note 15)*	**(7,559)**	–
Carrying amount at 31 December	**–**	5,497

The Group's construction in progress is stated at cost less impairment. Construction in progress is transferred to the appropriate class of property, plant and equipment (note 15) when substantially all the activities necessary to prepare the assets for their intended use are completed.

17. INTANGIBLE ASSETS

	Taxi licences HK$'000	Small passenger car quotas licences HK$'000	Patent, trademark and copyrights HK$'000	Total HK$'000
COST				
At 1 January 2019	249,962	1,883	9,688	261,533
Translation adjustment	(5,806)	(41)	(53)	(5,900)
Additions	18,174	–	–	18,174
At 31 December 2019 and 1 January 2020	**262,330**	**1,842**	**9,635**	**273,807**
Translation adjustment	**16,896**	**118**	**(45)**	**16,969**
At 31 December 2020	**279,226**	**1,960**	**9,590**	**290,776**
AMORTISATION AND IMPAIRMENT				
At 1 January 2019	99,061	–	9,688	108,749
Translation adjustment	(2,372)	–	(53)	(2,425)
Impairment	11,070	–	–	11,070
At 31 December 2019 and 1 January 2020	**107,759**	**–**	**9,635**	**117,394**
Translation adjustment	**6,940**	**–**	**(45)**	**6,895**
Amortisation charged	**7**	**–**	**–**	**7**
At 31 December 2020	**114,706**	**–**	**9,590**	**124,296**
NET CARRYING AMOUNT				
At 31 December 2020	**164,520**	**1,960**	**–**	**166,480**
At 31 December 2019	154,571	1,842	–	156,413

Taxi Licences

According to the relevant regulations promulgated by the PRC government, taxi vehicle in general is allowed to be deployed for taxi operations for a maximum period of 5 years. After the 5-year operating period, taxi operators have to replace the aged taxi vehicles with new taxi vehicles so as to continue the taxi operations. During the year ended 31 December 2019, the PRC government launched a scheme to encourage taxi operators to speed up the replacement of the taxi vehicles with electric taxi vehicles. The Group participated in the scheme and replaced its taxi vehicles by electric taxi vehicles in advance of the mandatory replacement timeline and in return, the Group was granted certain taxi licences for free ("Free Taxi Licences"). These Free Taxi Licences entitle holders to operate taxi vehicles for a five-year period and accordingly, the useful life of these Free Taxi Licences is assessed to be five years. On initial recognition, the Group recognised these Free Taxi Licences as intangible assets at nominal amount of HK$18,174,000, which is determined as the excess of (i) the net carrying amount of the relevant taxi vehicles over (ii) the proceeds received from disposing those replaced taxi vehicles. These Free Taxi Licences are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Other than the Free Taxi Licences, the Group holds other taxi licences which are not subject to any restriction ("Other Taxi Licences"). In the opinion of the directors, these Other Taxi Licences have indefinite useful life as there is no foreseeable limit on the period of the time on which Other Taxi Licences are expected to generate cash flows. Accordingly, these Other Taxi Licences are not amortised and instead, are subject to impairment at least annually.

17. INTANGIBLE ASSETS *(Continued)*

Taxi Licences *(Continued)*

The above taxi licences (the "Taxi Licences") together with the relevant property, plant and equipment including right-of-use assets which form the cash-generating unit of taxi rental within the segment of taxi rental and sales of motor vehicles are tested for impairment by the management by estimating its recoverable amount. The recoverable amounts of this cash-generating unit as at 31 December 2020 was determined using value-in-use basis whereas the recoverable amount as at 31 December 2019 was determined using fair value less costs of disposal basis. Both of the basis adopted discounted cash flow approach in determining recoverable amount.

Discounted cash flow calculations use cash flow projections based on the financial budgets approved by the management. The financial budget prepared for current year's impairment assessment are up to year 2053 and cash flows beyond the budget period are extrapolated using an estimated growth rate of 3%. It is assumed that the Group is able to extend the business period of the PRC subsidiary engaging in taxi rental operation upon expiry in year 2033 on the ground that the application made to the relevant PRC government authority for extending the business period in previous years were successful and without encountering significant difficulty.

Other key assumptions used by management in the calculations have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of taxi licences held by the Group was based on the taxi licences held at the end of the reporting period and taking into account of the expected expiry of the Free Taxi Licences, and (ii) taxi rental income is determined based on the fee income to be received pursuant to the existing rental agreements, adjusted by the expected market development. The pre-tax discount rate applied to the cash flow projection is 18.5% (2019: 18.5%) which reflects specific risks relating to the taxi rental operation in the PRC.

Based on the result of the current year's impairment assessment, management determines that no additional impairment loss in respect of the Taxi Licences is necessary for the year ended 31 December 2020.

Based on the results of the annual impairment assessment for 2019, the recovering amount of the cash-generating unit of taxi rental business was estimated to be lower than its carrying amount by HK$19,048,000 and accordingly, impairment provision was made as to HK$11,070,000 for the Taxi Licences and HK$7,978,000 for the relevant property, plant and equipment (note 15). Such impairment is mainly due to the expected higher capital and operating costs as a result of the government requirements imposed on new purchase of taxi vehicles which must be electric vehicles instead of fuel-engined vehicles in operating the taxi rental business.

Small Passenger Car Quotas

Balances as at 31 December 2020 and 2019 represented the net carrying amount of 22 small passenger car quotas (the "Car Quotas") acquired by the Group in year 2015 at aggregate consideration of approximately HK$1,969,000.

The Car Quotas entitle the holders to apply for licence plates for small passenger cars in Guangzhou, the PRC under specific rules and regulations for an unspecified period. Based on the prevailing rules and regulations, the directors are of the opinion that these Car Quotas carry indefinite useful life.

18. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Share of net assets	**174,566**	156,958

Details of the Group's principal associates as at 31 December 2020 are set out in note 57.

The following illustrates the summarised financial information in relation to the Group's associates as at 31 December 2020 with comparative information extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2020 HK$'000	2019 HK$'000
Year ended 31 December		
Revenue	**73,732**	88,031
Profit for the year	**54,699**	25,920
Other comprehensive income for the year	**39,508**	(13,737)
Total comprehensive income for the year	**94,207**	12,183
Dividend received from associates	**–**	–

	2020 HK$'000	2019 HK$'000
As at 31 December		
Current assets	**260,924**	465,673
Non-current assets	**1,445,174**	1,384,746
Current liabilities	**(205,937)**	(451,560)
Non-current liabilities	**(627,333)**	(614,071)
Net assets	**872,828**	784,788
Carrying amount of the Group's interest in the net assets of the associates	**174,566**	156,958

19. INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Share of net assets	**20,817**	24,507

Details of the Group's principal joint ventures as at 31 December 2020 are set out in note 58.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 HK$'000	2019 HK$'000
Year ended 31 December		
Share of the joint ventures' profit for the year	**21,415**	16,694
Share of the joint ventures' other comprehensive income for the year	**1,449**	65
Share of the joint ventures' total comprehensive income for the year	**22,864**	16,759
Dividend received from joint ventures	**21,318**	4,868

	2020 HK$'000	2019 HK$'000
As at 31 December		
Aggregate carrying amount of the Group's interests in joint ventures	**20,817**	24,507

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
Listed equity securities	**276,995**	359,204
Unlisted equity securities	**278,331**	127,957
	555,326	487,161

The Group held certain listed and unlisted equity securities for strategic purposes and they were irrevocably designated at financial assets at fair value through other comprehensive income.

For the year ended 31 December 2020, the Group recorded a decrease in fair value for investments in equity securities amounting to HK$43,968,000, which is dealt with in financial assets at fair value through other comprehensive income reserve in equity.

For the year ended 31 December 2019, the Group recorded an increase in fair value for investment in equity securities amounting to HK$185,082,000. The increase in fair value, net of the resulting income tax effect of HK$2,405,000, which amounted to HK$182,677,000 was dealt with in financial assets at fair value through other comprehensive income reserve in equity.

During the year ended 31 December 2019, the Group disposed of all the PRC unlisted equity securities with investment costs amounting to RMB118,385,000 at consideration of RMB132,459,000 (equivalent to HK$150,606,000), the cumulative gain of the investment net of the resulting income tax effect which amounted to RMB11,247,000 (equivalent to HK$13,231,000) was transferred from financial assets at fair value through other comprehensive income reserve to retained profits.

Certain equity securities are pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 47.

21. OTHER ASSETS

Other assets mainly represent antiques and art works held by the Group for long-term investment purposes and a club membership.

Antiques and art works are reviewed for impairment by the management with reference to the valuation conducted by an independent professional valuer whereas club membership is assessed with reference to price quoted by certain agents and taking into account latest market conditions. In the opinion of the directors, the antiques, art works and club membership worth at least their carrying values at the end of the reporting period.

22. LOANS RECEIVABLE

	2020 **HK$'000**	2019 HK$'000
Loans receivable from associates	**53,592**	52,358
Less: Impairment	**–**	–
	53,592	52,358

Loans to associates as at 31 December 2020 amounting to HK$53,592,000 (2019: HK$52,358,000) are unsecured and interest-free. The amortised cost of the loan at the end of the reporting period is calculated at the present value of the expected settlement from the associate in accordance with the business plan of the respective associate, discounted at the rate of return of similar financial assets. The loans are expected not to be repayable within twelve months from the end of the reporting period and accordingly, they are classified as non-current assets.

The movements in the allowance for impairment of loans receivable are as follows:

	2020 **HK$'000**	2019 HK$'000
At 1 January	**–**	32,848
Translation adjustment	**–**	(239)
Impairment losses reversed	**–**	(20,693)
Amounts written off as uncollectible	**–**	(11,916)
At 31 December	**–**	–

The allowance for impairment as at 1 January 2019 included impairment provision of HK$20,682,000 and HK$12,166,000 provided for a loan to an associate and other loans receivable respectively. In previous years, management assessed that these loans receivable were unlikely to be recovered and accordingly, full impairment provision had been made.

During the year ended 31 December 2019, the Group negotiated with the associate and the other investor of this associate (the "Party") and agreed that the loan would be settled in the consideration payable to the Party for the acquisition of land parcels. Accordingly, the impairment provision provided for the loan to this associate was reversed in 2019. In respect of the other loans receivable, management was in the opinion that these loans were irrecoverable and thus, the Group had written off these loans receivable in 2019.

Further details of the Group's credit policy and credit risk arising from loans receivable and the loss allowance for loans receivable are set out in note 55.3.

23. FINANCE LEASE RECEIVABLES

The Group entered into agreements with customers for replacing the light tubes of their properties by the LED light tubes produced by the Group under energy saving projects. In return, the Group is entitled to monthly income for a period of five to eight years which is arrived at on a pre-determined basis. Under the agreements, the Group is also responsible for free maintenance and replacement of LED light tubes. The agreements constitute finance leases of LED light tubes. Accordingly, sales are recognised when the LED light tubes are installed in the properties. Costs related to the sales transactions are recognised in the same period. Sales revenue recognised at the commencement of the leases represents the present value of the minimum lease payments receivable from the customers over the lease period, computed at a market rate of interest.

In addition, the Group also engages in the business of sales of motor vehicles, which is part of the Group's ordinary course of business. The Group entered into agreements with customers for leasing of motor vehicles with Car Quotas (note 17) attached for a period of three years in return for monthly income. The Car Quotas entitle the motor vehicles to be legally permitted to be used on the public road during the lease period. The agreements constitute finance leases of motor vehicles which have estimated useful life of three years. Accordingly, sales revenue is recognised at the commencement of the lease term whereas cost of sale is recognised in the same period. Sales revenue is the present value of the minimum lease payments receivable from the customers over the lease term, computed at a market rate of interest.

Finance income arising from the aforesaid finance lease arrangements is allocated over the lease period on a systematic basis reflecting a constant periodic return on the Group's net investment in the finance leases.

The analysis of the finance lease receivables is as follows:

	Total minimum lease payments receivable		**Present value of minimum lease payments receivable**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable:				
Not later than one year	**1,513**	2,765	**1,438**	2,600
Later than one year and not later than five years	**530**	1,679	**488**	1,593
Later than five years	**182**	300	**127**	214
	2,225	4,744	**2,053**	4,407
Future finance income	**(172)**	(337)	**–**	–
Finance lease receivables, gross	**2,053**	4,407	**2,053**	4,407
Less: Impairment	**(112)**	(411)	**(112)**	(411)
Finance lease receivables, net	**1,941**	3,996	**1,941**	3,996

23. FINANCE LEASE RECEIVABLES *(Continued)*

	2020	2019
	HK$'000	HK$'000
Analysed into:		
Amounts receivable in more than one year included in non-current assets	**590**	1,742
Amounts receivable within one year included in current assets	**1,351**	2,254
	1,941	3,996

The movements in the allowance for impairment of finance lease receivables are as follows:

	2020	2019
	HK$'000	HK$'000
At 1 January	**411**	398
Translation adjustment	**9**	(9)
Impairment losses recognised	**26**	22
Amounts written off as uncollectible	**(334)**	–
At 31 December	**112**	411

Further details of the Group's credit policy and credit risk arising from finance lease receivables and the loss allowance for finance lease receivables are set out in note 55.3.

24. INVENTORIES OF PROPERTIES

	2020	2019
	HK$'000	HK$'000
Properties under development	**308,236**	1,433,390

As at 31 December 2020, properties under development amounting to HK$308,236,000 (2019: HK$1,345,841,000) are not expected to be recovered within twelve months from the end of the reporting period.

25. OTHER INVENTORIES

	2020	2019
	HK$'000	HK$'000
Raw materials	**70,844**	62,287
Work-in-progress	**31,298**	22,939
Finished goods	**36,582**	44,617
	138,724	129,843

26. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2020 HK$'000	2019 HK$'000
Trade receivables *(note (a), (b) and (d))*	**1,186,575**	237,654
Less: Impairment on trade receivables *(note (b))*	**(9,214)**	(8,410)
Trade receivables, net	**1,177,361**	229,244
Other receivables	**17,542**	86,099
Less: Impairment on other receivables *(note (c))*	**(2,279)**	(2,855)
Other receivables, net	**15,263**	83,244
Prepayments and deposits	**40,728**	60,036
	1,233,352	372,524
Analysed into:		
Non-current assets *(note (d))*	**485,797**	–
Current assets	**747,555**	372,524
	1,233,352	372,524

Notes:

(a) The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 30 days to 60 days to its trade customers while certain customers are granted with credit period up to 180 days. Rental receivable from tenants is payable on presentation of invoices. For taxi rental income, the drivers are generally required to pay monthly rental not later than the fifth of each month.

(b) The movements in the allowance for impairment of trade receivables are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**8,410**	8,153
Translation adjustment	**149**	(39)
Impairment losses recognised	**845**	534
Impairment losses reversed	**(190)**	(238)
At 31 December	**9,214**	8,410

(c) The movements in the allowance for impairment of other receivables are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**2,855**	10,897
Translation adjustment	**136**	(47)
Amounts written off as uncollectible	**(712)**	(7,995)
At 31 December	**2,279**	2,855

(d) Trade receivables as at 31 December 2020 included outstanding consideration amounting to RMB801,515,000 (equivalent to HK$937,572,000) receivable from a third party (the "Buyer") in relation to disposal of the Company's entire interests in Foshan Yumin as disclosed in note 6(b). Out of the balance of HK$937,572,000, a sum of HK$451,775,000 was maintained by the Buyer in an escrow account and would be released to the Group upon completion of the relevant procedures. The remaining balance of HK$485,797,000 is interest-bearing at 3% per annum and due for settlement in 18 months after the completion of the registration of the transfer of equity interests. Such remaining balance is expected to be settled in May 2022.

Further details of the Group's credit policy on trade receivables, credit risk arising from trade and other receivables and loss allowance arising from ECL are set out in note 55.3.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Listed equity securities	**70,324**	52,776
Listed bond	**7,076**	–
Unlisted bond	**37,102**	–
Equity-linked notes *(note)*	**232,812**	–
Derivative financial instruments	**1,056**	–
	348,370	52,776

The Group held certain equity and debt securities for trading purpose and they are classified as financial assets at fair value through profit or loss. In addition, the Group also held certain derivatives, which are also classified as held for trading and accounted for as financial assets at fair value through profit or loss.

Note:

The Group acquired equity-linked notes from financial institutions in Hong Kong. The equity-linked notes are structured notes which contain embedded derivative and the return of which are dependent on the market price of the underlying equity securities which are listed on the Stock Exchange. These equity-linked notes carry fixed coupon rate of 6% per annum with remaining maturity of six months from the end of the reporting period. The equity-linked notes are subject to early termination if the market prices of the underlying securities were greater than or equal to the predetermined knock-out price at observation date. If no early termination takes place, the equity-linked notes contain terms enabling the issuers either to deliver the underlying equity securities on if the market prices of the underlying securities were lower than the respective predetermined reference stock price or to settle the principal and interest if the market prices of the underlying securities were higher than or equal to the respective predetermined reference stock price. As at 31 December 2020, the aggregate principal amount and fair value of these notes were HK$240,000,000 and HK$232,812,000 respectively.

Certain investments are pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 47.

28. RESTRICTED BANK DEPOSITS/CASH AND BANK BALANCES

(a) Restricted bank deposits

Restricted bank deposits represent deposits placed in a designated bank account pursuant to the agreements entered by the Group in relation to the acquisition of land and buildings located in Guangzhou, the PRC (the "GZ Property").

On 30 October 2013, the Group entered into a sale and purchase agreement (the "Master Agreement") with an independent third party vendor (the "Vendor") and a bank to which the GZ Property had been mortgaged (the "Mortgage Bank") for acquiring the GZ Property at consideration of RMB60,000,000. The GZ Property had been pledged by the Vendor to the Mortgage Bank before the Master Agreement was entered into. Pursuant to the Master Agreement and the supplementary agreements signed on the same date, the Group placed a deposit into the designated bank account operated by the Mortgage Bank which amounted to RMB89,000,000 (equivalent to HK$113,199,000) as at 31 December 2013. Funds deposited to this designated bank account are subject to monitoring by the Mortgage Bank. Upon completion of transferring the legal title of GZ Property to the Group and settling the mortgage loan by the fund deposited into this designated bank account, the Mortgage Bank released the charge on the GZ Property.

The legal title of the GZ Property was transferred to the Group in September 2014. As at 31 December 2020, the deposits outstanding in the designated bank account amounted to RMB19,937,000, equivalent to HK$23,690,000 (2019: RMB19,940,000, equivalent to HK$22,259,000) which is requested by the Mortgage Bank for securing the potential liabilities arising from the litigation in relation to the GZ Property (note 50(b)).

(b) Cash and bank balances

Cash and bank balances include the following:

	2020 HK$'000	2019 HK$'000
Cash at banks, in hand and deposited with financial institutions	**224,356**	196,919
Short-term bank deposits	**138,983**	15,578
	363,339	212,497

Cash at banks earns interest at floating rates based on daily bank deposits rates.

Short-term time deposits are made for period depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

28. RESTRICTED BANK DEPOSITS/CASH AND BANK BALANCES *(Continued)*

(b) Cash and bank balances *(Continued)*

The Group's short-term bank deposits amounting to HK$138,983,000 as at 31 December 2020 (2019: HK$15,578,000) were placed with a bank with original maturity of seven days to three months (2019: one month) and earn interest income at interest rate of 0.21% to 2.00% (2019: 1.64%) per annum.

As at 31 December 2020, cash balances and deposits of the Group denominated in RMB amounted to approximately HK$225,932,000 (2019: HK$72,039,000). RMB is not freely convertible into other currencies.

29. CONTRACT LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Contract liabilities arising from		
– Sales of goods	**1,557**	3,248

The Group may request the customers to pay certain percentage of the contract sum upon placing orders as deposit. The deposit received by the Group is recognised as contract liabilities until the production activity is completed and the customers take possession of the products and title has been passed. In addition, the Group may receive advances from the customers during the course of the production activities and this also give rise to contract liabilities. Movements in contract liabilities are as follows:

	2020 **HK$'000**	2019 HK$'000
Balance as at 1 January	**3,248**	1,691
Translation adjustment	**11**	(4)
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(3,146)**	(1,632)
Increase in contract liabilities as a result of receiving deposits and advances during the year of which the orders are still outstanding	**1,444**	3,193
Balance as at 31 December	**1,557**	3,248

30. TRADE AND OTHER PAYABLES

	2020 **HK$'000**	2019 HK$'000
Trade payables *(note (a))*	**143,396**	149,728
Temporary receipts *(note (b))*	**157,282**	158,413
Other payables and accruals *(note (c))*	**118,314**	215,099
Deposits received and receipt in advance *(note (d))*	**54,097**	51,403
	473,089	574,643

Notes:

(a) Balances as at 31 December 2020 included payables to an associate amounting to HK$3,299,000 (2019: HK$2,744,000) which arose from the trading transactions as disclosed in note 51(a). These balances are unsecured, interest-free and due for settlement pursuant to the payment terms of the respective orders.

(b) Balances as at 31 December 2020 and 2019 included a temporary receipt of HK$124,936,000 received from a third party in relation to a proposed disposal of equity interest in a subsidiary of the Company. The transaction is subject to further negotiation.

(c) Balances as at 31 December 2020 included consideration payable amounting to RMB8,812,000, equivalent to HK$10,383,000 (2019: RMB95.5 million, equivalent to HK$106.6 million) in relation to the acquisition of the land parcels.

(d) Balances as at 31 December 2020 and 2019 included an amount of HK$25,680,000 received from a third party in relation to a proposed disposal of land parcels. Further details of the transaction are set out in note 50(c).

31. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **HK$'000**	2019 HK$'000
Forward contracts for listed shares	**15,198**	–

As at 31 December 2020, the Group held certain forward contracts to purchase the shares of a listed company in Hong Kong (the "Shares") at predetermined forward prices on periodic settlement basis. The aggregate notional amount of the contracts was HK$113,185,000. Under the contracts, the Group is required to purchase certain numbers of the Shares, depending on the market price of the Shares on each of the settlement dates during the contract period. If the market price of the Shares is lower than the forward price, the Group is required to purchase more number of shares than the normal level. If the market price of the Shares hit the knock-out prices set out in the contracts, the contracts will be terminated. Contracts with notional amount of HK$52,794,000 will mature in November 2021 whereas other contracts with notional amount of HK$60,391,000 will mature in January 2022.

32. LEASE LIABILITIES

The Group as lessee

The Group has interests in leasehold land and buildings where the Group is the registered owner of the property interests. The Group also leases various properties including office properties, warehouse, staff dormitory and operating sites located in Taiwan and the PRC under tenancy agreements. For certain leases, the periodic rent is fixed over the lease term whereas for certain leases, rental is adjusted periodically at predetermined rate. In addition, certain leases include an option to renew the leases for an additional period after the end of the contract term. Leases of these properties are negotiated for periods ranging from two to six years (2019: two to six years).

In addition, the Group entered into a retrofit agreement for the mechanical ventilation and air-conditioning ("MVAC") system of the Group's manufacturing plant located in the PRC in 2017. Under the agreement, the contractor is responsible for the retrofit work and maintenance of the MVAC system and in return, the contractor is entitled to monthly income for a period of about five years which is arrived at according to a pre-determined basis. The agreement constitutes a lease arrangement.

The following table shows the future lease payments in respect of leases of properties under tenancy agreements (note 15) and the retrofit work and maintenance of the MVAC system as at 31 December 2020 and 2019:

	Minimum lease payments		**Present value of minimum lease payments**	
	2020 **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000
Amounts payable:				
Not later than one year	**5,219**	3,993	**4,633**	3,307
Later than one year and not later than five years	**11,662**	14,840	**10,929**	13,616
Later than five years	**–**	159	**–**	158
	16,881	18,992	**15,562**	17,081
Future finance costs	**(1,319)**	(1,911)	**–**	–
Present value of lease liabilities	**15,562**	17,081	**15,562**	17,081

32. LEASE LIABILITIES *(Continued)*

The Group as lessee *(Continued)*

	2020 HK$'000	2019 HK$'000
Analysed into:		
Amounts payable in more than one year included in non-current liabilities	**10,929**	13,774
Amounts payable within one year included in current liabilities	**4,633**	3,307
	15,562	17,081

The movements of lease liabilities recognised by class of right-of-use assets during the year are as follows:

	Furniture and fixtures		Other properties leased for own used		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
At 1 January	**2,113**	2,756	**14,968**	13,752	**17,081**	16,508
Additions	**–**	–	**1,611**	4,465	**1,611**	4,465
Interest expense *(note 8)*	**92**	121	**640**	486	**732**	607
Lease payments	**(745)**	(700)	**(4,065)**	(3,414)	**(4,810)**	(4,114)
Translation adjustment	**141**	(64)	**807**	(321)	**948**	(385)
At 31 December	**1,601**	2,113	**13,961**	14,968	**15,562**	17,081

For the year ended 31 December 2020, the total cash outflows for the Group's lease arrangements amounted to HK$4,890,000 (2019: HK$4,657,000).

33. AMOUNTS DUE TO ASSOCIATES

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

34. AMOUNT DUE TO A RELATED PARTY/DIRECTOR

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

35. BORROWINGS

	2020 HK$'000	2019 HK$'000
Borrowings – current liabilities		
Bank borrowings	**941,019**	1,245,039
Other borrowings	**139,796**	45,562
	1,080,815	1,290,601
Borrowings		
Secured *(note 47)*	**988,439**	746,659
Unsecured	**92,376**	543,942
	1,080,815	1,290,601

35. BORROWINGS *(Continued)*

The maturity of borrowings is as follows: *(note (a))*

	2020 HK$'000	2019 HK$'000
Due within one year *(note (b))*	**700,462**	831,926
Due after one year but within two years	**28,706**	78,322
Due after two years but within five years	**351,647**	380,353
	380,353	458,675
	1,080,815	1,290,601

Notes:

(a) The maturity analysis is prepared based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

(b) Included in borrowings as at 31 December 2020 was a term loan of HK$409,059,000 (2019: HK$437,765,000) with principal sum of HK$488,000,000 which is repayable by 19 quarterly instalments followed by a final payment to be made in March 2023.

In June 2019, the Group renewed the banking facilities with the bank and the term loan under this facilities letter was subject to the bank's overriding rights of repayment on demand. Accordingly, the term loan under the facilities letter renewed in June 2019 was classified as current liabilities as at 31 December 2019. In June 2020, the Group further renewed the banking facilities letter with the bank and the renewed facilities letter contains a clause that provides the bank with an unconditional right to demand repayment at any time at its own discretion after the committed period, which will expire in September 2021. Accordingly, the term loan under the facilities letter renewed in June 2020 was classified as current liabilities as at 31 December 2020.

Subsequently in June 2021, the Group further renewed the banking facilities with the bank and pursuant to the renewed facilities letter, the term loan is subject to the overriding right of the bank to demand repayment at any time at its own discretion after the committed period, which has been further extended to December 2022.

(c) Certain banking facilities are subject to the fulfilment of covenants relating to certain of financial ratios, as are commonly found in lending arrangements with financial institutions. If the covenants were breached, the drawn down facilities would become repayable on demand. Management regularly monitors its compliance with these covenants. As at 31 December 2020, one of the covenants was breached and the outstanding balance of bank loans drawn down under the related facilities was HK$907,749,000. Currently the management is in discussion with the bank to rectify the breach. Based on the discussion, the directors assessed that such breach would not result in material adverse effect to the financial position of the Group.

The carrying amounts of the borrowings are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**501,199**	881,005
US$	**546,346**	376,175
RMB	**33,270**	33,421
	1,080,815	1,290,601

Among the Group's bank borrowings as at 31 December 2020, HK$59,107,000 (2019: HK$686,854,000) were arranged at fixed annual interest rates of 1.11%–1.15% (2019: 2.72%–4.35%). The remaining balance of the Group's borrowings of HK$881,912,000 (2019: HK$558,185,000) were arranged at floating rates of 1.15%–4.05% (2019: 4.14%–4.43%) per annum.

Among the Group's other borrowings as at 31 December 2020, HK$16,442,000 (2019: nil) were arranged at fixed annual interest rates of 1.15% (2019: nil) and the remaining balance of HK$123,354,000 (2019: HK$45,562,000) were arranged at floating rates of 1.29%–1.48% (2019: 2.39%) per annum.

As at 31 December 2020, the Group's bank borrowings amounted to HK$941,019,000 (2019: HK$1,081,739,000) were secured by personal guarantee provided by the director, Mr. Yung Kwok Kee, Billy ("Mr. Yung").

36. LOAN FROM NON-CONTROLLING SHAREHOLDER

The loan is unsecured, interest-free and not repayable within 12 months from the end of the reporting period.

37. DEFERRED TAX

Details of the deferred tax liabilities and (assets) recognised and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation and impairment of property, plant and equipment HK$'000	Amortisation and impairment of intangible assets HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Tax losses and others HK$'000	Total HK$'000
At 1 January 2019	(838)	35,283	576,669	11,525	(723)	621,916
Translation adjustment	(125)	(805)	(12,591)	(256)	133	(13,644)
Charged/(Credited) to profit or loss *(note 10)*	7,231	1,776	(901)	197	(8,259)	44
Charged to other comprehensive income *(notes 15(a) and 20)*	–	–	7,201	–	2,405	9,606
Reclassification adjustment to current tax upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	(3,214)	(3,214)
At 31 December 2019 and 1 January 2020	**6,268**	**36,254**	**570,378**	**11,466**	**(9,658)**	**614,708**
Translation adjustment	**687**	**2,335**	**36,175**	**695**	**(738)**	**39,154**
Charged/(Credited) to profit or loss *(note 10)*	**4,458**	**(2)**	**(4,937)**	**(799)**	**(4,228)**	**(5,508)**
Charged to other comprehensive income *(notes 15(a))*	**–**	**–**	**911**	**–**	**–**	**911**
At 31 December 2020	**11,413**	**38,587**	**602,527**	**11,362**	**(14,624)**	**649,265**

Represented by:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**(3,941)**	(1,423)
Deferred tax liabilities	**653,206**	616,131
	649,265	614,708

As at 31 December 2020, the Group has unused tax losses of approximately HK$544,886,000 (2019: HK$449,088,000) available for offset against future profits. Deferred tax assets of HK$11,301,000 have been recognised in respect of tax losses of HK$45,204,000. No deferred tax assets have been recognised in respect of the remaining tax losses of HK$499,682,000 due to the unpredictability of future profit streams.

The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in other regions of the PRC and the USA may be carried forward for five years and twenty years respectively from the financial year when the corresponding loss was incurred.

As at 31 December 2020, deferred tax liabilities of approximately HK$11,362,000 (2019: HK$11,466,000) have been recognised in respect of the undistributed earnings of certain PRC subsidiaries amounted to approximately HK$213,687,000 (2019: HK$205,518,000). Deferred tax liabilities of approximately HK$4,392,000 (2019: HK$3,820,000) have not been established for withholding taxation that would be payable on the remaining unremitted earnings of the relevant PRC subsidiaries as at 31 December 2020, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$57,801,000 as at 31 December 2020 (2019: HK$48,041,000).

For the purposes of presentation of the financial statements, deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

38. SHARE CAPITAL

	2020 Number of shares '000	**2020** Nominal value	2019 Number of shares '000	2019 Nominal value
Authorised				
Ordinary share of US$0.00002 each				
Balance at the beginning and end of the year	**600,000**	**US$12,000**	600,000	US$12,000
Issued and fully paid				
Ordinary share of US$0.00002 each				
Balance at the beginning of the year	**523,485**	**US$10,470**	523,485	US$10,470
Shares repurchased and cancelled *(note)*	**(175)**	**(US$3)**	–	–
Balance at the end of the year	**523,310**	**US$10,467**	523,485	US$10,470
Shown in the financial statements as		**HK$82,000**		HK$82,000

All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

Note: In 2020, the Company repurchased a total of 175,000 of its own ordinary shares at HK$7.09 each and the total consideration was HK$1,236,000. All of these repurchased shares were cancelled during the year. Upon cancellation of the 175,000 repurchased shares, the number of issued shares of the Company was reduced from 523,485,000 to 523,310,000. Of the repurchase cost of HK$1,236,000, an amount of US$3 representing the par value of the cancelled shares was deducted from share capital whereas the remaining amount of HK$1,236,000 was deducted from retained profits. The consideration for the share repurchase was unsettled and was included in "Trade and other payables" in the consolidated statement of financial position as at 31 December 2020.

39. RESERVES

The Group

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

Capital reserve

Capital reserve of the Group represents the capital contributions from the shareholders of the Company.

Financial assets at fair value through other comprehensive income reserve

Financial assets at fair value through other comprehensive income reserve comprises the cumulative net changes in the fair value of equity instruments designated at financial assets at fair value through other comprehensive income under HKFRS 9 that are held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 4.13(i).

Share option reserve

Share option reserve comprises the cumulative expenses recognised on granting of share options over the vesting period and is dealt with in accordance with the accounting policies in note 4.25.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy in note 4.21.

39. RESERVES *(Continued)*

The Group *(Continued)*

Assets revaluation reserve

Assets revaluation reserve has been set up in accordance with the accounting policies in note 4.7.

Statutory reserve

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to retain appropriate certain percentages of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

The Company

Details of the movements in the Company's reserve during the current and prior years are as follows:

	Dividend reserve HK$'000	Contributed surplus HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	2,617	896,524	–	996,851	1,895,992
Loss and total comprehensive income for the year	–	–	–	(22,593)	(22,593)
Dividend paid *(note 12(b))*	(2,617)	–	–	–	(2,617)
Proposed final dividend *(note 12(a))*	2,617	–	–	(2,617)	–
At 31 December 2019 and 1 January 2020	**2,617**	**896,524**	**–**	**971,641**	**1,870,782**
Loss for the year	**–**	**–**	**–**	**(2,220)**	**(2,220)**
Other comprehensive income for the year	**–**	**–**	**5,499**	**–**	**5,499**
Shares repurchased and cancelled *(note 38)*	**–**	**–**	**–**	**(1,236)**	**(1,236)**
Dividend paid *(note 12(b))*	**(2,617)**	**–**	**–**	**–**	**(2,617)**
Proposed final dividend *(note 12(a))*	**2,617**	**–**	**–**	**(2,617)**	**–**
At 31 December 2020	**2,617**	**896,524**	**5,499**	**965,568**	**1,870,208**

Contributed surplus

Contributed surplus of the Company represents the capital contributions from the shareholders of the Company.

40. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2020 was HK$119,709,000 (2019: HK$78,596,000), which is attributable to certain subsidiaries that are not 100% owned by the Group.

In the opinion of the directors, the non-controlling interests of PFC Device Inc., Shunde Hua Feng Stainless Steel Welded Tubes Ltd. and SMC Electric Limited are material for the year ended 31 December 2020 whereas the non-controlling interests in PFC Device Inc. and Shunde Hua Feng Stainless Steel Welded Tubes Ltd. were considered material for the year ended 31 December 2019.

Summarised financial information of PFC Device Inc. and its subsidiaries ("PFC Group"), before intra-group eliminations, is presented below:

	2020 **HK$'000**	2019 HK$'000
Year ended 31 December		
Revenue	**163,644**	140,976
Profit/(Loss) for the year	**5,011**	(11,161)
Total comprehensive income for the year	**13,468**	(13,336)
Profit/(Loss) for the year attributable to non-controlling interests	**2,072**	(4,682)
Total comprehensive income for the year attributable to non-controlling interests	**5,567**	(5,607)
Dividend paid to non-controlling interests	**–**	–
Year ended 31 December		
Cash flows from operating activities	**26,932**	29,715
Cash flows used in investing activities	**(4,114)**	(2,524)
Cash flows used in financing activities	**(1,848)**	(7,657)
Net cash inflow	**20,970**	19,534
As at 31 December		
Current assets	**156,171**	131,683
Non-current assets	**53,062**	56,773
Current liabilities	**(29,435)**	(22,039)
Non-current liabilities	**–**	(132)
	179,798	166,285
Accumulated non-controlling interests	**74,325**	68,744

40. NON-CONTROLLING INTERESTS *(Continued)*

Summarised financial information of Shunde Hua Feng, before intra-group eliminations, is presented below:

	2020	2019
	HK$'000	HK$'000
Year ended 31 December		
Revenue	**–**	–
Loss for the year	**(4,103)**	(3,919)
Total comprehensive income for the year	**(3,264)**	(4,305)
Loss for the year attributable to non-controlling interests	**(406)**	(388)
Total comprehensive income for the year attributable to non-controlling interests	**(320)**	(427)
Dividend paid to non-controlling interests	**–**	–
Cash flows used in operating activities	**(112)**	(212)
Cash flows from investing activities	**1**	1
Net cash outflow	**(111)**	(211)
As at 31 December		
Current assets	**86,452**	81,312
Current liabilities	**(60)**	(42)
Non-current liabilities	**(73,108)**	(64,722)
	13,284	16,548
Accumulated non-controlling interests	**9,532**	9,852

40. NON-CONTROLLING INTERESTS *(Continued)*

Summarised financial information of SMC Electric and its subsidiaries, before intra-group eliminations, is presented below:

	2020 HK$'000
Year ended 31 December	
Revenue	249,409
Profit for the year	36,353
Total comprehensive income for the year	37,604
Profit for the year attributable to non-controlling interests	5,802
Total comprehensive income for the year attributable to non-controlling interests	6,193
Dividend paid to non-controlling interests	–
Cash flows from operating activities	23,606
Cash flows used in investing activities	(2,711)
Cash flows from financing activities	37,141
Net cash inflow	58,036
As at 31 December	
Current assets	186,066
Non-current assets	13,639
Current liabilities	(52,687)
Non-current liabilities	(3,614)
	143,404
Accumulated non-controlling interests	35,852

41. SHARE OPTION SCHEMES

The share option schemes adopted by the subsidiaries are detailed as follows:

(a) Netlink Assets Limited

Netlink Assets Limited ("Netlink"), a wholly-owned subsidiary of the Company, operates a share option scheme (the "Netlink Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Netlink's operations. Eligible participants of the Netlink Scheme include the directors, employees and consultants of Netlink and any of its parent or subsidiaries. Netlink Scheme was adopted on 20 August 2014 and will continue in effect for a term of ten years from the later of (a) the effective date of Netlink Scheme, or (b) the earlier of the most recent approval from the board or shareholder of an increase in the number of shares received for issuance under Netlink Scheme.

The maximum aggregate number of shares of Netlink ("Netlink Shares") that may be subject to the grant of options under Netlink Scheme is 13,100,000 shares. The exercise price per Netlink Share to be issued pursuant to the exercise of the option will be determined by the administrator, but will be not less than 100% of the fair market value of the applicable Netlink Shares on the date of grant and subject to certain conditions specified in Netlink Scheme.

The exercise period and the vesting schedule of the options is determined by the administrator.

The movements of the share options granted under Netlink Scheme during the current and prior years are as follows:

				Number of options			
Grantee	**Date of grant**	**Exercisable period**	**Exercise price**	**As at 1 January 2020**	**Granted during the year**	**Cancelled during the year**	**As at 31 December 2020**
Mr. Yung	20 August 2014	From the date of vesting to 20 August 2024	US$1	**2,648,233**	**–**	**(2,648,233)**	**–**
Mr. Chow Kai Chiu, David ("Mr. Chow")	20 August 2014	From the date of vesting to 20 August 2024	US$1	**529,647**	**–**	**(529,647)**	**–**
				3,177,880	**–**	**(3,177,880)**	**–**

				Number of options			
Grantee	Date of grant	Exercisable period	Exercise price	As at 1 January 2019	Granted during the year	Forfeited during the year	As at 31 December 2019
Mr. Yung	20 August 2014	From the date of vesting to 20 August 2024	US$1	2,648,233	–	–	2,648,233
Mr. Chow	20 August 2014	From the date of vesting to 20 August 2024	US$1	529,647	–	–	529,647
				3,177,880	–	–	3,177,880

The fair values of the options granted in prior years were estimated at the dates of grant using Black Scholes Model taking into accounts the terms and conditions which the options were granted. The following shows the significant inputs used in the model:

Date of grant	**25 June 2015**	**20 August 2014**
Dividend yield	0%	0%
Historical volatility	46.56%	45.57%
Risk-free interest rate	1.801%	1.859%
Expected life of option	10 years	10 years

The volatility of a combination of companies of similar nature and size were used to estimate the expected volatility of Netlink Shares. The expected life of the option is based on the historical data and is not indicative of the exercise patterns that may occur.

41. SHARE OPTION SCHEMES *(Continued)*

(a) Netlink Assets Limited *(Continued)*

During the year ended 31 December 2019, no option were exercised. As at 31 December 2019, there were 3,177,800 outstanding share options under Netlink Scheme. The weighted average remaining contractual life of the outstanding options was five years. Out of the total number of options outstanding as at 31 December 2019, 3,177,800 options were vested and exercisable. The exercise in full of the outstanding share options would, under the present capital of Netlink, result in issue of additional 3,177,800 Netlink Shares.

During the year ended 31 December 2020, subject to the condition that Netlink had ceased the business operations and was dormant since 2017, which obstruct the option holders from exercising the outstanding share options to serve the purpose to motivate the option holders. As approved by the board of directors of Netlink and consented by each of the grantees, resolved the cancellation of a total of 3,177,800 previously granted share options made to the directors of the subsidiary company.

(b) PFC Device Inc.

Pursuant to resolutions passed by the shareholder of PFC Device Inc. on 19 September 2016, the adoption of the share option scheme of PFC Device Inc. (the "PFC Device Option Scheme") was approved to enable PFC Device Inc. to grant options to eligible persons as incentives or rewards for their contributions or potential contribution to PFC Group. Eligible participants of PFC Device Option Scheme include the directors, employees, executives or officers of PFC Group and any suppliers, consultants, agents, advisers and related entities to PFC Group.

The PFC Device Option Scheme shall be valid and effective for a period of ten years commencing from the date on which the PFC Device Option Scheme becomes unconditional. The subscription price shall be such price as the board of directors of PFC Device Inc. in its absolute discretion shall determine, provided that such price will not be less than the highest of: (a) the closing price of the shares of PFC Device Inc. as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for a business of dealing in securities; (b) the average of the official closing prices of the shares of PFC Device Inc. as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of PFC Device Inc.

The total number of shares of PFC Device Inc. which may be issued upon exercise of all options under the PFC Device Option Scheme must not in aggregate exceed 10% of the total number of shares of PFC Device Inc. in issue at the time dealings in the shares first commence on the Stock Exchange which amounts to 160,000,000 shares.

On 22 March 2017, options to subscribe for an aggregate of 41,794,191 shares of PFC Device Inc. were granted under PFC Device Option Scheme to certain directors, senior management, employees and consultants of PFC Device Inc. which shall vest based on the vesting schedules specified in the offer documents of the respective grantees. Share options granted to non-employee participants are for their contributions to the PFC Group in respect of providing services similar to those rendered by its employees.

The fair value of the share options granted by PFC Device Inc. under the PFC Device Option Scheme (the "PFC Device Share Options") on 22 March 2017 was HK$3,271,000. The fair value was estimated by independent professional valuer at the date of grant using the Binomial Model taking into account the terms and conditions of the options granted.

The following table shows the significant inputs used in the model:

Dividend yield	0%
Historical volatility	43.032%
Risk-free interest rate	1.636%
Expected life of option	10 years

41. SHARE OPTION SCHEMES *(Continued)*

(b) PFC Device Inc. *(Continued)*

The historical volatility of a combination of companies of similar nature was used to estimate the historical volatility of the shares of PFC Device Inc.

During the year ended 31 December 2020, share-based payment expense of HK$33,000 (2019: HK$110,000) was charged to profit or loss. The fair value of PFC Device Share Options granted attributable to owners of the Company amounting to HK$19,000 (2019: HK$64,000) was credited to share option reserve.

The movements of the share options granted under PFC Device Option Scheme during the current and prior years are as follows:

			Number of options			
Grantee	**Date of grant**	**Exercise price**	**As at 1 January 2020**	**Exercised during the year**	**Forfeited during the year**	**As at 31 December 2020**
Directors of PFC Device Inc.	22 March 2017	HK$0.165	**8,208,343**	**–**	**–**	**8,208,343**
Employees	22 March 2017	HK$0.165	**9,799,821**	**–**	**(4,510,446)**	**5,289,375**
Consultants	22 March 2017	HK$0.165	**1,960,000**	**–**	**(1,800,000)**	**160,000**
			19,968,164	**–**	**(6,310,446)**	**13,657,718**

			Number of options			
Grantee	Date of grant	Exercise price	As at 1 January 2019	Exercised during the year	Forfeited during the year	As at 31 December 2019
Directors of PFC Device Inc.	22 March 2017	HK$0.165	8,208,343	–	–	8,208,343
Employees	22 March 2017	HK$0.165	10,059,821	–	(260,000)	9,799,821
Consultants	22 March 2017	HK$0.165	1,960,000	–	–	1,960,000
			20,228,164	–	(260,000)	19,968,164

The closing price of the shares of PFC Device Inc. immediately before the date of grant of share options was HK$0.172. The share options granted on 22 March 2017 are valid and effective for a period of ten years from date of acceptance on 1 April 2017 subject to vesting requirements that the options shall be vested by stages which last for nine months to 3.25 years.

During the year ended 31 December 2020, options to subscribe for 6,310,446 shares (2019: 260,000 shares) of PFC Device Inc. were forfeited upon the resignation of the employees of PFC Group. The fair value of those forfeited and vested PFC Device Share Options at the date of grant attributable to owners of the Company was HK$294,000 (2019: HK$12,000).

As at 31 December 2020, there were 13,657,718 share options outstanding under PFC Device Option Scheme and all of them were vested and exercisable by the grantees by giving notice in writing to PFC Device Inc.. As at 31 December 2019, out of the 19,968,164 share options outstanding under PFC Device Option Scheme, of which options to subscribe for 19,195,691 shares were vested and exercisable by the grantees by giving notice in writing to PFC Device Inc.. The weighted average remaining contractual life of these options was 6.25 years (2019: 7.25 years). The exercise in full of these outstanding share options would, under the present capital structure of PFC Device Inc., result in the issue of 13,657,718 (2019: 19,968,164) additional ordinary shares of PFC Device Inc.

No option under PFC Device Option Scheme was granted during the current and prior year.

42. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**115,700**	112,300
Property, plant and equipment		**10,909**	4,183
Interests in subsidiaries		**9,191**	9,191
Financial assets at fair value through other comprehensive income		**127,346**	–
Other assets		**74,988**	74,988
		338,134	200,662
Current assets			
Trade and other receivables, prepayment and deposits		**5,711**	13,177
Financial assets at fair value through profit or loss		**158,512**	–
Amounts due from subsidiaries		**2,595,167**	2,988,587
Cash and bank balances		**60,273**	24,261
		2,819,663	3,026,025
Current liabilities			
Other payables and accruals		**143,624**	149,261
Financial liabilities at fair value through profit or loss		**4,783**	–
Lease liabilities		**834**	–
Amounts due to subsidiaries		**100,907**	113,204
Amount due to a director		**27,553**	34,278
Borrowings		**1,002,943**	1,059,080
		1,280,644	1,355,823
Net current assets		**1,539,019**	1,670,202
Non-current liabilities			
Lease liabilities		**6,863**	–
Net assets		**1,870,290**	1,870,864
CAPITAL AND RESERVES			
Share capital	*38*	**82**	82
Reserves	*39*	**1,870,208**	1,870,782
Total equity		**1,870,290**	1,870,864

On behalf of the directors

CHOW KAI CHIU, DAVID
Director

LI PIK MUI, CINDY
Director

43. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

During the year ended 31 December 2019, the Company acquired additional 12,024,598 ordinary shares of PFC Device Inc. from a shareholder at consideration of HK$844,000. Upon completion of the transaction, the Group's equity interest in PFC Device Inc. increased from 57.92% to 58.65%.

	2019 HK$'000
Consideration for the acquisition of additional equity interests in PFC Device Inc.	844
Increase in the Group's share of the net assets of PFC Device Inc.	(1,241)
Difference on acquisition of additional interest in PFC Device Inc.	(397)

There was no change in control in PFC Device Inc. and acquisition of additional equity interest in PFC Device Inc. is accounted for as equity transaction.

	2019 HK$'000
Net consideration paid during the year	(844)
Net outflow of cash and cash equivalents in respect of the acquisition of additional equity interest in PFC Device Inc.	(844)

44. DEEMED DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

During the year ended 31 December 2019, the directors of the Company submitted listing application to the Stock Exchange to apply for listing of the Group's electric tools and electric fans business which is within the electrical appliances segment by way of placing and public offer of the shares of SMC Electric on the Main Board of the Stock Exchange (the "Listing"). The Listing was achieved by (i) capitalisation issue of 1,687,000,000 ordinary shares of SMC Electric; and (ii) share offer comprising sale of 225,000,000 existing ordinary shares and issue of 275,000,000 new ordinary shares of SMC Electric ("Share Offer"). The offer price of the 500,000,000 offer shares of SMC Electric was HK$0.25 per offer share. The shares of SMC Electric were listed on the Main Board of the Stock Exchange on 2 June 2020. Upon completion of the Listing, the Group's equity interest in SMC Electric was diluted from 100% to 75%.

	2020 HK$'000
Proceeds from the Share Offer	**125,000**
Less: Listing fees recognised in current year	**(29,103)**
Net proceeds	**95,897**
Net proceeds shared by the Group	**85,364**
Deemed disposal of net assets of SMC Electric arising from dilution of equity interests	**(19,126)**
Difference on deemed disposal of partial interest in SMC Electric	**66,238**

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities is as follows:

	Borrowings HK$'000 *(note 35)*	Lease liabilities HK$'000 *(note 32)*	Amount due to a director HK$'000 *(note 34)*	Loan from non-controlling shareholder HK$'000 *(note 36)*
At 1 January 2019	1,013,841	16,508	38,460	6,173
Changes from cash flows				
Proceeds of new borrowings	908,381	–	–	–
Repayment of borrowings	(629,402)	–	–	–
Advances received	–	–	27,570	–
Repayment of advances	–	–	(5,245)	–
Payment of capital element of lease liabilities	–	(3,507)	–	–
Payment of interest element of lease liabilities	–	(607)	–	–
Other borrowing costs paid	(39,497)	–	–	–
Total changes from financing cash flows	239,482	(4,114)	22,325	–
Exchange adjustment	(2,219)	(385)	–	235
Other changes				
Interest expenses	39,497	607	–	–
Increase in lease liabilities from entering into new leases	–	4,465	–	–
Service fee to a director *(note 51(a))*	–	–	5,063	–
	39,497	5,072	5,063	–
At 31 December 2019 and 1 January 2020	**1,290,601**	**17,081**	**65,848**	**6,408**
Changes from cash flows				
Proceeds of new borrowings	**941,935**	**–**	**–**	**–**
Repayment of borrowings	**(1,152,225)**	**–**	**–**	**–**
Repayment of advances	**–**	**–**	**(44,485)**	**–**
Payment of capital element of lease liabilities	**–**	**(4,078)**	**–**	**–**
Payment of interest element of lease liabilities	**–**	**(732)**	**–**	**–**
Other borrowing costs paid	**(31,452)**	**–**	**–**	**–**
Total changes from financing cash flows	**(241,742)**	**(4,810)**	**(44,485)**	**–**
Exchange adjustment	**504**	**948**	**(148)**	**830**
Other changes				
Interest expenses	**31,452**	**732**	**–**	**–**
Increase in lease liabilities from entering into new leases	**–**	**1,611**	**–**	**–**
Service fee to a director *(note 51(a))*	**–**	**–**	**6,338**	**–**
	31,452	**2,343**	**6,338**	**–**
At 31 December 2020	**1,080,815**	**15,562**	**27,553**	**7,238**

46. RETIREMENT BENEFITS SCHEME

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

The employees of the subsidiaries of the Company which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in profit or loss of HK$4,620,000 (2019: HK$9,224,000) represent contributions paid/payable to these schemes by the Group in the current year.

47. PLEDGE OF ASSETS

Other than the negative pledges disclosed in notes 14 and 15, the Group has pledged the following assets and assigned rental income from leasing of its investment properties to secure for the general banking and other loan facilities granted to the Group:

	2020 **HK$'000**	2019 HK$'000
Investment properties	**1,761,673**	1,662,807
Property, plant and equipment	**14,686**	13,876
Financial assets at fair value through profit or loss	**347,741**	52,331
Financial assets at fair value through other comprehensive income	**534,551**	253,276
Bank balances	**–**	91
	2,658,651	1,982,381

The issued share capital of two subsidiaries held by the Company were pledged to banks to secure for the banking facilities granted to the Group. The aggregate net asset value of the subsidiaries as at 31 December 2020 was approximately HK$1,754 million (2019: HK$1,269 million).

48. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (note 14) under operating lease arrangements with leases negotiated for period ranging from one year to one to twenty-four years (2019: one year to twenty-four years). At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments receivable as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**89,602**	87,105
After one year but within two years	**61,653**	50,796
After two years but within three years	**37,905**	30,411
After three years but within four years	**22,909**	21,814
After four years but within five years	**17,491**	18,040
Over five years	**32,411**	45,981
	261,971	254,147

49. OTHER COMMITMENTS

At the end of the reporting period, the Group had other significant commitments as follows:

	2020	2019
	HK$'000	HK$'000
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	**13,090**	11,987
Property development	**4,078**	66,037
Investment in equity securities	**241,154**	62,131

50. CONTINGENT LIABILITIES

(a) A lawsuit brought by a claimant (the "Claimant") in 2014 alleging that the registration of the legal titles of the GZ Property passed to the Group as mentioned in note 28(a) being illegal and requesting the PRC land bureau to revoke the certificates of the GZ Property issued by it to the Group. The lawsuit is still in progress at the date of this report. Based on the advice from a PRC legal counsel (the "Legal Advice"), the transfer and the registration of the titles of the GZ Property are proper and the Group has legal titles and all relevant rights over the GZ Property since the transfer of titles is completed. In addition, another lawsuit was brought by the Claimant alleging the Group, the vendor and the Mortgaged Bank colluded in bad faith, thereby harming the interests of the Claimant and requesting the court to void the Master Agreement. The lawsuit is still in progress at the date of this report. Based on the Legal Advice, given that the Group is able to demonstrate that it has no intention to collude with other contracting parties harming the interests of the Claimant and the transaction was conducted based on normal commercial terms at the date of entering into the Master Agreement, the Group would not be alleged as malicious collusion. Having regard to the latest development of the cases and the Legal Advice, the directors are of the opinion that these lawsuits would not result in significant financial impact on the Group.

(b) The Group has undertaken to bear the legal and professional fees as well as any economic obligation arising from the lawsuit initiated by the Mortgage Bank as referred to in note 28(a) against the Claimant as mentioned in note (a) above regarding the termination of the sale and purchase agreement entered into by the Mortgage Bank and the Claimant in 2007. A deposit amounting to RMB19,937,000 (equivalent to HK$23,690,000) as at 31 December 2020 (2019: RMB19,940,000 (equivalent to HK$22,259,000)) has been placed by the Group in the bank account designated by the Mortgage Bank to secure for the undertaking. Based on the advice from the PRC legal counsel, the directors are of the opinion that such undertaking would not result in significant financial impact to the Group.

(c) During the year ended 31 December 2015, the Group entered into sale and purchase agreement with an independent third party to dispose of certain land parcels in Hong Kong which had been held by the Group for property development. The consideration for the disposal of those land parcels amounted to HK$26,600,000. However, the directors had come to know that there might have potential legality issue in respect of the titles of those land parcels which may therefore render the sale and purchase agreement ineffective. As assessed by the directors, it was uncertain as to when the legality issue of those land titles can be addressed. Accordingly, the Group had written down the net carrying amount of the concerned land parcels during the year ended 31 December 2015 which amounted to HK$17,417,000 and recorded the consideration paid by the buyer as deposit received under "Trade and other payables". Consideration paid by the buyer amounted to HK$25,680,000 as at 31 December 2020 (2019: HK$25,680,000). Based on the current assessment of the directors, it is still uncertain as to when potential legality issue of the land parcels can be addressed, which is subject to latest development of government policies and related legislation. As assessed by the directors, claims, if any, arising from this potential land legality issue would not result in material effect to the financial statements to the Group.

(d) In 2019, a claim was lodged against the Group by a contractor (the "Contractor") in respect of the dispute arising from the early termination and settlement of an engineering contract of the Group's property project in Hong Kong and the Group has initiated a counterclaim against the Claimant for the advances paid by the Group on behalf of the Contractor together with damages suffered by the Group. The Group and the Contractor agreed to resolve the dispute by arbitration and the arbitration procedure is still in progress as at the date of this report. Having regard to the advices from the legal advisor, the directors are of the opinion that the Group has a reasonable good case in this contractual dispute and the claim would not have material adverse impact on the result and financial position of the Group.

51. RELATED PARTY TRANSACTIONS

Transactions between the entities among the Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties including key management personnel are disclosed below.

(a) Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

	2020	2019
	HK$'000	HK$'000
Service fee paid to a director *(note)*	**6,338**	5,063
Raw materials and goods purchased from an associate	**37,727**	30,804
Interest income from an associate	**–**	823

Note:

Service fee was paid to Mr. Yung, director of the Company, for providing personal guarantee to banks in respect of the banking facilities granted to the Group, which is charged at the rate of 0.38% (2019: 0.38%) on the amount of facilities granted.

(b) The remuneration of members of key management were as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowance and other benefits	**59,314**	29,678
Equity-settled share-based payment expense	**5**	23
Contributions to defined contribution retirement plan	**1,232**	1,176
	60,551	30,877

52. EVENTS AFTER THE REPORTING PERIOD

On 23 April 2021, a subsidiary of the Company, PFC Device Inc., submitted application to the Stock Exchange to apply for the share consolidation on the basis of every twenty issued and unissued existing shares of PFC Device Inc. (the "Share Consolidation") and rights issue on the basis of one rights share for every two consolidated shares (the "Right Issue"). The Share Consolidation was approved by the shareholders on an extraordinary general meetings held on 25 May 2021 and was effective on 27 May 2021. The Rights Issue was still in progress as of the date of this report.

Subsequent to the end of the reporting period, the Group disposed of the investment properties situated in the USA with carrying amount of HK$166,685,000 at consideration of US$21,500,000, equivalent to approximately HK$166,685,000. The transaction was completed in May 2021.

53. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and bank balances and restricted bank deposits. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Group as at 31 December 2020 and 2019 were as follows:

	2020 HK$'000	2019 HK$'000
Debts	1,080,815	1,290,601
Less: cash and bank balances and restricted bank deposits	(387,029)	(234,756)
Net debts	693,786	1,055,845
Capital represented by total equity	4,415,935	3,713,830
Gearing ratio	15.7%	28.4%

The Group targets to maintain a gearing ratio of not higher than 50% which is in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the current year.

54. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

54.1 Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	348,370	52,776
Financial assets at fair value through other comprehensive income	555,326	487,161
Financial assets measured at amortised cost#	1,635,780	546,877
Financial liabilities		
Financial liabilities at amortised cost^	1,547,482	1,898,080
Financial liabilities at fair value through profit or loss	15,198	–

including trade receivables, loans receivable, finance lease receivables, other receivables, bank balances including restricted bank deposits.

^ including trade payables, other payables and accruals, lease liabilities, refundable deposits received, amounts due to associates, a related party and a director, borrowings and loan from non-controlling shareholder.

54. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

54.2 Financial results by financial instruments

	2020 HK$'000	2019 HK$'000
Fair value (loss)/gain on:		
Financial assets at fair value through profit or loss	**(23,051)**	586
Financial liabilities at fair value through profit or loss	**(15,198)**	–
(Decrease)/Increase in fair value of:		
Financial assets at fair value through other comprehensive income	**(43,968)**	185,082
Interest income/(expenses) on:		
Financial assets at amortised cost	**11,636**	4,439
Financial liabilities at amortised cost	**(32,184)**	(40,104)
Dividend income from:		
Financial assets at fair value through profit or loss	**–**	2,018
Financial assets at fair value through other comprehensive income	**27,954**	12,476
Impairment loss/(Reversal of impairment loss) on:		
Financial assets at amortised cost	**685**	(20,375)

54. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

54.3 Fair value of financial instruments

(a) Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31 December 2020 and 2019 across the three levels of the fair value hierarchy defined in HKFRS 13, with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to the fair value measurement. The levels are defined as follows:

Level 1 (highest level):	fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
Level 2	fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
Level 3 (lowest level):	fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2020				
Financial assets				
Financial assets at fair value through other comprehensive income				
– Listed equity securities	**276,995**	**–**	**–**	**276,995**
– Unlisted equity securities	**–**	**278,331**	**–**	**278,331**
Financial assets at fair value through profit or loss				
– Listed equity securities	**70,324**	**–**	**–**	**70,324**
– Listed bond	**7,076**	**–**	**–**	**7,076**
– Unlisted bond	**–**	**37,102**	**–**	**37,102**
– Equity-linked notes	**–**	**232,812**	**–**	**232,812**
– Derivative financial instruments	**1,056**	**–**	**–**	**1,056**
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Forward contracts for listed shares	**–**	**(15,198)**	**–**	**(15,198)**
As at 31 December 2019				
Financial assets				
Financial assets at fair value through other comprehensive income				
– Listed equity securities	359,204	–	–	359,204
– Unlisted equity securities	–	127,957	–	127,957
Financial assets at fair value through profit or loss				
– Listed equity securities	52,776	–	–	52,776

54. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

54.3 Fair value of financial instruments *(Continued)*

(a) Financial instruments measured at fair value *(Continued)*

During the years ended 31 December 2020 and 2019, there were no transfer between instruments in Level 1, Level 2 and Level 3.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (i.e. Level 3), being unlisted equity securities, are as follows:

	2019 HK$'000
Unlisted equity securities	
At 1st January	141,521
Translation difference	(3,041)
Disposals	(148,098)
Changes in fair value	9,618
At 31 December	–

The fair value of listed equity and debt securities as well as derivatives as at 31 December 2020 and 2019 are determined by the directors based on quoted market prices available on the relevant stock exchanges.

The fair value of unlisted equity and debt securities as well as derivatives as at 31 December 2020 and 2019 was estimated by management with reference to quotations provided by the brokers and where applicable, the subscription price of related capital transaction of the investee.

(b) Financial instruments not measured at fair value

Financial instruments not measured at fair value include loans receivable, finance lease receivables, trade receivables, other receivables, bank balances including restricted bank deposits, trade payables, other payables and accruals, lease liabilities, amounts due to associates, a related company and a director, loan from non-controlling interests and borrowings.

Due to their short-term nature, the carrying values of other receivables, bank balances including restricted bank deposits, trade payables, other payables and accruals and amounts due to associates, a related company and a director approximate their fair values.

For disclosure purpose, the fair values of loans receivables, finance lease receivables, trade receivables, lease liabilities, loan from non-controlling interests and borrowings are not materially different from their carrying values. Those fair values have been determined by using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include expected future cash flows and discount rate used to reflect the credit risks of the Group and the counterparties, where appropriate.

55. FINANCIAL RISK MANAGEMENT

55.1 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

55.2 Market risk

(i) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK$, US$ and RMB with certain of their business transactions being settled in US$ and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US$ and RMB, against the functional currency of the Company and the group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continues to conduct its sales mainly in US$ and RMB and make payments either in US$, HK$ and RMB. In addition, the Group's borrowings were denominated in HK$, US$ and RMB. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remain minimal.

The overall exposure in respect of the carrying amounts of the Group's foreign currency denominated financial assets and liabilities in net position as at 31 December 2020 and 2019 were as follows:

	2020 **HK$'000**	2019 HK$'000
Net financial assets		
HK$	**165,708**	115,703
US$	**116,708**	407,633
RMB	**393,244**	628,577

As HK$ is pegged to US$, the Group does not have material exchange risk exposure on such currencies. The following sensitivity analysis, determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year, demonstrates the Group's exposure to a reasonably possible change in RMB exchange rate against the HK$ on the Group's net asset position denominated in RMB as at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	2020 **HK$'000**	2019 HK$'000
RMB against HK$		
– strengthen by 5% (2019: 5%)	**16,418**	26,243
– weaken by 5% (2019: 5%)	**(16,418)**	(26,243)

The changes in the exchange rates do not affect the Group's other components of equity

55. FINANCIAL RISK MANAGEMENT *(Continued)*

55.2Market risk *(Continued)*

(ii) Price risk

The Group is mainly exposed to price risk arising from its investments in debt and equity securities and derivatives which are classified as financial assets/liabilities at fair value through profit or loss (notes 27 and 31) and financial assets at fair value through other comprehensive income (note 20) as price of those investments in future are uncertain.

The Group's investments in listed equity securities are traded mainly on the Stock Exchange, the New York Stock Exchange and the Nasdaq Exchange. The Group also invested in unlisted equity securities and unlisted investment funds for strategic purposes. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary.

The Group also holds certain investments in debt securities and derivatives which are also subject to price risk.

The Group's exposure to price risk for debt securities include changes in the credit spreads and market interest rates. No sensitivity analysis on price risk arising from investments in debt securities relating to credit spreads of debt securities has been presented as the directors of the Company did not expect the significant fluctuation as at 31 December 2020.

Derivative financial instruments mainly include equity-linked notes and forward contracts for listed shares. Equity-linked notes are linked to the performance of the underlying shares and thus the Group is subject to the risk of price fluctuations of the underlying shares. When the price of the underlying shares is moving in an unfavorable direction to below the predetermined price, the equity-linked notes are converted into the equity securities of the underlying shares. Forward contracts for listed shares are subject to significant price risk. The Group has to purchase the agreed amount of the underlying shares at the forward price even when the market price falls below the forward price resulting in potential significant loss. The directors manage the exposure by closely monitoring the portfolio of derivative financial instruments and maintain it at a reasonable level to the total investments. The directors maintain an investment portfolio which mix a variety of investments to optimise investment return to the Group.

Management's best estimate of the effect on the Group's results in respect of those listed and unlisted equity securities due to a reasonably possible change in the relevant stock market index, with all other variables held constant, at the end of the reporting period are as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	2020	2019
	HK$'000	HK$'000
Listed equity securities classified as financial assets at fair value through profit or loss		
Listed in Hong Kong — Hang Seng Index		
+ 13% (2019: + 16%)	**7,213**	7,050
- 13% (2019: - 16%)	**(7,213)**	(7,050)
Listed in New York Stock Exchange — NASDAQ Composite Index		
+ 10% (2019: N/A)	**324**	–
- 10% (2019: N/A)	**(324)**	–

55. FINANCIAL RISK MANAGEMENT *(Continued)*

55.2 Market risk *(Continued)*

(ii) Price risk *(Continued)*

	Increase/(Decrease) in other comprehensive income and financial assets at fair value through other comprehensive income reserve	
	2020	2019
	HK$'000	HK$'000
Listed equity securities classified as financial assets at fair value through other comprehensive income		
Listed in Hong Kong — Hang Seng Index		
+ 13% (2019: + 16%)	**33,842**	53,968
- 13% (2019: - 16%)	**(33,842)**	(53,968)
Listed in New York Stock Exchange — NASDAQ Composite Index		
+ 10% (2019: +9%)	**1,667**	1,972
- 10% (2019: - 9%)	**(1,667)**	(1,972)
Unlisted equity securities classified as financial assets at fair value through other comprehensive income		
+ 10% (2019: + 9%)	**27,833**	11,516
- 10% (2019: - 9%)	**(27,833)**	(11,516)

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent equity price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

The policies to manage price risk have been followed by the Group since prior years and are considered to be effective.

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings. Borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31 December 2020, approximately 93% (2019: 47%) of the borrowings bore interest at floating rates. The interest rates and repayment terms of the borrowings outstanding at the end of reporting period are disclosed in note 35.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure on bank deposits and borrowings to fair value interest rate risk is not significant as interest-bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

55. FINANCIAL RISK MANAGEMENT *(Continued)*

55.2 Market risk *(Continued)*

(iii) Interest rate risk *(Continued)*

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	2020	2019
	HK$'000	HK$'000
Change in basis point ("bp")		
+ 50 bp (2019: + 50bp)	**(4,183)**	(2,521)
- 10 bp (2019: - 10bp)	**837**	504

The change in interest rates do not affect the Group's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the borrowings outstanding at the end of the reporting period would be outstanding in the next financial year.

55.3 Credit risk

Credit risk refer to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The maximum exposure to credit risk in respect of the Group's financial assets at the end of the reporting period is their carrying amounts.

Management has credit policies in place and the exposures to credit risk are monitored on an on-going basis.

In respect of trade receivables and lease receivables, the Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal with credit worthy counterparties. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit terms are granted to new customers after credit worthiness assessment. The Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management assesses the collectability of the receivables regularly for the determination of any loss allowance for the receivables by taking into account the customers' or debtors' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions.

As at 31 December 2020, the Group had certain concentration of credit risk as 79% of the Group's trade receivables was due from the Group's largest customer (in term of revenue) within the business segment of real estate investment and development whereas as at 31 December 2019, 28% of the Group's trade receivables was due from the Group's largest customer (in terms of revenue) within the business segment of electrical appliances.

In respect of bank balances and restricted bank deposits, the Group's exposure to credit risk is limited because majority of the deposits are placed with reputable banks or financial institutions, for which the Group considers to have low credit risk. There was no history of default in relation to these financial institutions.

In respect of loans receivable, in granting loans to the borrowers, management assesses the background and financial condition of the borrowers and in certain circumstances, may request collateral from the borrowers in order to minimise credit risk.

For other receivables, the Group regularly monitors the financial position of the counterparties to assess the recoverability of the outstanding balances.

As to investment strategies, a significant portion of the investments are liquid securities quoted on recognised stock exchange. As to investments in unlisted securities, investment is made after credit assessment by investment team and those investments are mainly made through reputable investment banks. Accordingly, the directors consider that the Group's exposure to credit risk in respect of its investments in securities is low.

55. FINANCIAL RISK MANAGEMENT *(Continued)*

55.3 Credit risk *(Continued)*

The credit and investment policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

Impairment under ECL model

The Group measures loss allowance for trade receivables and lease receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure and time value of money where appropriate. The ECL also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle these receivables. For other financial assets measured at amortised cost, the Group measures loss allowance based on 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on lifetime ECL.

For those individually significant receivables or receivables relating to customers or debtors with known financial difficulties or significant doubt on collection of receivables, they are assessed individually for loss allowance. For other receivables, they have been grouped based on shared credit risk characteristics and the days past due.

The Group assess whether there has been a significant increase in credit risk for exposure since initial recognition on an ongoing basis throughout the year. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on receivables over the expected life between the reporting date and the date of initial recognition. For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

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

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

– significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group; and

– actual or expected significant adverse change in the regulatory, economic, or technological environment in which the customer operate that results in a significant change in the customers' ability to meet their debt obligations.

The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due.

55. FINANCIAL RISK MANAGEMENT *(Continued)*

55.3Credit risk *(Continued)*

Impairment under ECL model *(Continued)*

The Group assesses whether a financial asset is credit-impaired at the end of the reporting period. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Set out below is the information about the Group's exposure on the Group's trade receivables at the end of the reporting period:

Electrical appliances business

As at 31 December 2020, the gross carrying amount of trade receivables of this business segment was HK$202,568,000 (2019: HK$199,913,000), of which trade receivables amounting to HK$80,709,000 (2019: HK$61,761,000) are subject to collective assessment for credit losses using provision matrix in the following table. ECL rates are based on actual loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the balances.

	ECL rate		**Loss allowance for collectively assessed trade receivables**	
	2020	2019	**2020**	2019
			HK$'000	HK$'000
Not yet past due	**0.24%**	0.36%	**145**	158
Past due				
30 days or below	**1.14%**	1.56%	**144**	217
31–60 days	**2.07%**	2.71%	**72**	–
61–90 days	**3.07%**	3.71%	**89**	16
91–180 days	**3.92%**	4.31%	**33**	–
			483	391

The remaining balance of trade receivables of this segment amounted to HK$121,859,000 (2019: HK$138,152,000), of which loss allowance amounting to HK$5,909,000 (2019: HK$5,803,000) has been provided for balances assessed for credit loss on individual basis whereas the remaining trade receivables of HK$115,950,000 (2019: HK$132,349,000) were assessed for credit loss on collective basis for which the ECL rate is assessed to be minimal.

55. FINANCIAL RISK MANAGEMENT *(Continued)*

55.3 Credit risk *(Continued)*

Other businesses

In respect of other business segments, including power discrete semiconductors, property leasing, real estate investment and development, taxi rental and other segments, the gross carrying amount of trade receivables as at 31 December 2020 was HK$984,007,000 (2019: HK$37,741,000), of which loss allowance amounting to HK$2,822,000 (2019: HK$2,216,000) has been provided for balances assessed for credit loss on individual basis. The remaining trade receivables of these segments amounted to HK$981,185,000 (2019: HK$35,525,000), of which HK$43,613,000 (2019:HK$ 35,525,000) were assessed for credit loss on collective basis for which the ECL rate is assessed to be minimal. In respect of the remaining trade receivable of HK$937,572,000, it was arising from sales of land parcels in the year as mentioned in note 6(b). The director considered the background of the debtor and taking into consideration of the undertaking issued by a bank as a credit enhancement for the receivable and assessed that the ECL rate of the balance was minimal.

Set out below is the information about the Group's exposure on the Group's finance lease receivables as at 31 December 2020:

	Balances individually assessed for loss allowance		**Balances subject to collective assessment for credit losses**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Gross carrying amount of finance lease receivables	**357**	829	**1,696**	3,578	**2,053**	4,407
ECL rate	**N/A**	N/A	**6.58%**	4.33%		
Loss allowance	**–**	256	**112**	155	**112**	411

ECL rates are based on actual loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the balances.

For loans receivable and other receivables, the Group regularly monitor the financial positions of the counterparties to assess the recoverability of the outstanding balances. As at 31 December 2020, no loss allowance has been provided for loan receivable (2019: nil) whereas loss allowances HK$2,279,000 (2019: HK$2,855,000) have been provided for loans receivable and other receivables respectively. Other than that, management does not expect any losses from non-performance by the counterparties and assessed that the ECL rate in respect of these balances was immaterial.

The movements in the loss allowance account in respect of trade receivables, loans receivable, finance lease receivables and other receivables during the year ended 31 December 2020 are set out in note 26(b), 22, 23 and 26(c) respectively. The increase in loss allowances during the year is mainly due to changes in risk parameters.

55. FINANCIAL RISK MANAGEMENT *(Continued)*

55.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group is also exposed to liquidity risk with regard to certain of the Group's investments including equity-linked notes (note 27) and forward contracts for listed shares (note 31) which are not traded on Stock Exchange thus the disposal of those investments may require higher exit costs. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and cash equivalents as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

The table below analyses the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period which are based on contractual undiscounted cash flows and the earliest date the Group may be required to pay:

	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2020						
Non-derivative financial liabilities						
Interest-bearing borrowings *(note)*	**1,081,006**	**–**	**–**	**–**	**1,081,006**	**1,080,815**
Trade payables	**143,396**	**–**	**–**	**–**	**143,396**	**143,396**
Other payables and accruals	**272,501**	**–**	**–**	**–**	**272,501**	**272,501**
Lease liabilities	**5,219**	**4,193**	**7,469**	**–**	**16,881**	**15,562**
Amounts due to associates	**126**	**–**	**–**	**–**	**126**	**126**
Amount due to a related party	**291**	**–**	**–**	**–**	**291**	**291**
Amount due to a director	**27,553**	**–**	**–**	**–**	**27,553**	**27,553**
Loan from non-controlling shareholder	**–**	**–**	**–**	**7,238**	**7,238**	**7,238**
	1,530,092	**4,193**	**7,469**	**7,238**	**1,548,992**	**1,547,482**
As at 31 December 2019						
Non-derivative financial liabilities						
Interest-bearing borrowings *(note)*	1,292,219	–	–	–	1,292,219	1,290,601
Trade payables	149,728	–	–	–	149,728	149,728
Other payables and accruals	368,001	–	–	–	368,001	368,001
Lease liabilities	3,993	4,043	10,797	159	18,992	17,081
Amounts due to associates	122	–	–	–	122	122
Amount due to a related party	291	–	–	–	291	291
Amount due to a director	65,848	–	–	–	65,848	65,848
Loan from non-controlling shareholder	–	–	–	6,408	6,408	6,408
	1,880,202	4,043	10,797	6,567	1,901,609	1,898,080

55. FINANCIAL RISK MANAGEMENT *(Continued)*

55.4 Liquidity risk *(Continued)*

Note:

For certain term loans which contain repayment on demand clause which can be exercised at the lender's sole discretion including loans which repayment on demand clause is exercisable after year end, the analysis above shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The following table summarises the maturity analysis of borrowings based on agreed scheduled repayments set out in the loan agreements. The amount include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks or financial institutions will exercise their discretion to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Borrowings					
31 December 2020	**712,134**	**36,821**	**353,593**	**1,102,548**	**1,080,815**
31 December 2019	857,332	95,946	399,817	1,353,095	1,290,601

The derivative financial liabilities, representing forward contracts to purchase listed shares, are to be settled on gross basis. In return for the listed shares, the Group has contractual cash outflow amounting to approximately HK$101,477,000 within one year and HK$2,910,000 in one to two years from 31 December 2020. The expected cash outflow is determined with reference to the number of listed shares to be received on the assumption that market price of the underlying securities as at 31 December 2020 remained constant until expiry.

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiaries	Place of incorporation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
China Dynasty Development Ltd	British Virgin Islands	Ordinary	1,000 shares of US$1 each	–	100%	Property leasing
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK$2	100%	–	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property holding
Fortress Link Investment Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Property holding
Foshan Shunde SMC Multi-Media Products Company Limited** 佛山市順德區蜆華多媒體製品有限公司	PRC^	Paid up capital	US$20,870,000	–	100%	Manufacturing and trading of electrical appliances
Guangdong PFC Device Limited	PRC^	Paid up capital	US$13,000,000	–	58.65%	Manufacturing and sales of power discrete semiconductors
Guangzhou Hui Liang Property Management Limited** 廣州匯朗物業管理有限公司	PRC#	Paid up capital	RMB101,000,000	–	100%	Property holding
Guangzhou Parklane Car Leasing Limited** 廣州市百聯汽車租賃有限公司	PRC#	Paid up capital	RMB5,000,000	–	100%	Vehicle rental and trading
Guangzhou SMC Car Rental Company Limited 廣州蜆富出租汽車有限公司	PRC^	Paid up capital	HK$75,000,000	–	100%	Taxi operations
Guangzhou Sien Fu Car Leasing Limited** 廣州蜆富汽車租賃有限公司	PRC#	Paid up capital	RMB2,500,000	–	100%	Vehicle rental and trading
Guangzhou Desheng Auto Repair Service Co. Limited** 廣州市德升汽車維修服務有限公司	PRC#	Paid up capital	RMB1,000,000	–	100%	Vehicle repair service
Guangzhou Xian Di Property Management Limited** 廣州蜆地物業管理有限公司	PRC^	Paid up capital	HK$1,000,000	–	100%	Property rental agency
New Style Development Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Property holding
PFC Device Corporation	British Virgin Islands	Preferred	4,956,153 shares of US$5,522,820	–	58.65%	Research and development and sales of power discrete semiconductors
		Common	105,000 shares of US$105,000			

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The particulars of the principal subsidiaries as at 31 December 2020 are as follows: *(Continued)*

Name of subsidiaries	Place of incorporation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
PFC Device Holdings Limited	British Virgin Islands	Preferred	12,656,153 of US$13,222,820	–	58.65%	Investment and trademark holding
		Common	658,255 of US$658,255			
PFC Device (HK) Limited	Hong Kong	Ordinary	1 share of HK$1	–	58.65%	Sales of power discrete semiconductors
PFC Device Inc.	Cayman Islands	Ordinary	1,618,032,277 shares of HK$0.01 each	–	58.65%	Investment holding
Quanta Global Limited	British Virgin Islands	Ordinary	1 share of US$1	–	75%	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US$10 each	–	75%	Trading of electric fans
Silvergate Global Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property holding
SMC Electric Limited	Cayman Islands	Ordinary	1 share of HK$0.01	75%	–	Investment holding
SMC Electric Holdings Limited	British Virgin Islands	Ordinary	1 share of US$1	–	75%	Investment holding
SMC Electric (HK) Limited	Hong Kong	Ordinary	1 share of HK$1	–	75%	Trading of electric fans and electric tools
SMC Electric (China) Limited** 廣東蜆壳家電有限公司	PRC^	Paid up capital	US$999,958.50	–	75%	Manufacturing and trading of electric tools
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK$2	–	100%	Property holding
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Investment holding
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK$2	–	100%	Investment holding
SMC Multi-Media Trading Company Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Contract manufacturing
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK$2	100%	–	Investment holding and property holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK$2	–	75%	Trading of electric fans
Sunny Resource Limited	Hong Kong	Ordinary	1 shares of HK$1	100%	–	Intangible assets holding
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	100%	–	Investment holding
Appeon Limited	Hong Kong	Class A Voting	US$449,164	–	100%	Investment holding
		Class B Non-voting	US$1,002,003			

^ The companies are incorporated in the PRC as wholly-owned foreign enterprises.

The companies are incorporated in the PRC as limited liability companies.

** The English translation of the company name is for reference only. The official names of these companies are in Chinese.

None of the subsidiaries had any debt securities outstanding as at 31 December 2020 and 2019.

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

57. PARTICULARS OF PRINCIPAL ASSOCIATES

The particulars of the associates as at 31 December 2020 are as follows:

Name of associates	Place of incorporation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Hong Kong Construction SMC Development Limited	Hong Kong	Ordinary	HK$10,000,000	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Limited** 熊谷蜆壳發展(廣州)有限公司	PRC^	Paid up capital	US$59,000,000	–	20%	Property leasing
Guangzhou Zhihui Kongjian Commercial Services Limited** 廣州智慧空間商務服務有限公司	PRC^	Paid up capital	–	–	20%	Commercial services
Guangdong Sien Hua Electrical Appliance Manufacturing Company Limited** 廣東蜆華電器製造有限公司	PRC##	Paid up capital	US$3,250,000	–	28.92%	Manufacturing of electric fans, electric cables and lamps

^ The company is incorporated in the PRC as wholly-owned foreign enterprise.

The company is incorporated in the PRC as sino-foreign cooperative enterprise.

** The English translation of the company name is for reference only. The official names of these companies are in Chinese.

58. PARTICULARS OF JOINT VENTURES

The particulars of the joint ventures as at 31 December 2020 are as follows:

Name of joint ventures	Place of incorporation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Appeon Inc.	USA	Paid up capital	US$200,000	–	51.18%	Sales of software licence
艾普陽科技(深圳)有限公司	PRC##	Paid up capital	US$1,529,668	–	51.18%	Software development and licencing

The company is incorporated in the PRC as sino-foreign cooperative enterprise.