

**KADER**

*Manufacturing Trust*

**KADER HOLDINGS COMPANY LIMITED**  
(Incorporated in Bermuda with limited liability)

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**ANNUAL REPORT 2021**

(Stock Code : 180)

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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors:

Mr. Kenneth Ting Woo-shou, *SBS, JP (Chairman and Managing Director)*  
 Mrs. Nancy Ting Wang Wan-sun  
 Mr. Ivan Ting Tien-li  
 Mr. Lao Wai-keung (*appointed on 1 July 2021*)

#### Non-executive Director:

Mr. Bernie Ting Wai-cheung

#### Independent Non-executive Directors:

Mr. Floyd Chan Tsoi-yin  
 Mr. Andrew Yao Cho-fai, *JP*  
 Mr. Desmond Chum Kwan-yue  
 Ms. Sabrina Chao Sih-ming

### COMPANY SECRETARY

Mr. Lao Wai-keung

### AUDIT COMMITTEE

Mr. Desmond Chum Kwan-yue (*Chairman*)  
 Mr. Floyd Chan Tsoi-yin  
 Mr. Andrew Yao Cho-fai, *JP*

### REMUNERATION COMMITTEE

Mr. Andrew Yao Cho-fai, *JP (Chairman)*  
 Mr. Kenneth Ting Woo-shou, *SBS, JP*  
 Mr. Floyd Chan Tsoi-yin

### NOMINATION COMMITTEE

Mr. Kenneth Ting Woo-shou, *SBS, JP (Chairman)*  
 Mr. Floyd Chan Tsoi-yin  
 Mr. Desmond Chum Kwan-yue

### AUTHORISED REPRESENTATIVES

Mr. Kenneth Ting Woo-shou, *SBS, JP*  
 Mr. Ivan Ting Tien-li

### SOLICITORS

P.C. Woo & Co.

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22 Kai Cheung Road  
 Kowloon Bay  
 Kowloon  
 Hong Kong

### REGISTERED OFFICE

Victoria Place, 5th Floor  
 31 Victoria Street  
 Hamilton HM 10  
 Bermuda

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
 Chong Hing Bank Limited  
 DBS Bank (Hong Kong) Limited  
 East West Bank Hong Kong Branch  
 Hang Seng Bank Limited  
 The Bank of East Asia, Limited

### INDEPENDENT AUDITORS

KPMG  
 Certified Public Accountants  
 Public Interest Entity Auditor registered in  
 accordance with the Financial Reporting  
 Council Ordinance

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited  
 Victoria Place, 5th Floor  
 31 Victoria Street  
 Hamilton HM 10  
 Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
 Shops 1712-1716, 17th Floor  
 Hopewell Centre  
 183 Queen's Road East  
 Hong Kong

## Chairman's Statement

On behalf of the Board of Directors (the "Board") of Kader Holdings Company Limited (the "Company"), I am pleased to present to our shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

The Group's revenue for the financial year ended 31 December 2021 amounted to approximately HK\$397.33 million, representing an increase of approximately 6.73% over that reported last year and the profit from operations for 2021 amounted to approximately HK\$22.80 million as compared to last year's loss from operations of approximately HK\$11.27 million. The Group's profit attributable to equity shareholders for the financial year ended 31 December 2021 was approximately HK\$45.94 million, which included surplus on revaluation of investment properties amounting to approximately HK\$44.19 million, as compared to last year's loss attributable to equity shareholders of approximately HK\$110.37 million which included deficit on revaluation of investment properties of approximately HK\$43.06 million.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK\$Nil).

The continuous outbreak and spreading of the COVID-19, the United States and China tension, and the global unfavourable economic environment have negative impacts on the performance of the Group for 2021. Faced with the challenging economy, the Group will diversify its businesses in addition to the enhancement of its existing businesses. In relation to cost control, the Group will continue to streamline the operational procedures to enhance the efficiency and implement various measures to minimize the costs. With the above measures and the experienced and dedicated management team, the Group is optimistic to deliver attractive returns to the shareholders in the future.

The Group has obtained the approval from the Government of the Hong Kong Special Administrative Region ("the HKSAR") for revitalization of Kader Building where our head office currently situates. The Group is taking the necessary measures to fulfil the requirements for revitalization and the whole processes are expected to be completed by the end of 2022. The revitalization will increase the value of Kader Building and the rental income in the future.

On behalf of the Board, I would like to take this opportunity to express my appreciation to the Board members, our experienced management team and our dedicated team of employees who devoted themselves to the Group during the past year. Their contributions are unfailing and most instrumental to the continued viability of the Group. In addition, I take this opportunity to extend our gratitude to our customers, suppliers, business partners and shareholders for their unwavering support and confidence in the Group.

**Kenneth Ting Woo-shou**  
*Chairman*

Hong Kong, 30 March 2022

# Management Discussion and Analysis

## RESULTS

The Board announces that the Group's revenue for the financial year ended 31 December 2021 amounted to approximately HK\$397.33 million, representing an increase of approximately 6.73% over that reported last year and the profit from operations for 2021 amounted to approximately HK\$22.80 million as compared to last year's loss from operations of approximately HK\$11.27 million. The Group's profit attributable to equity shareholders for the financial year ended 31 December 2021 was approximately HK\$45.94 million, which included surplus on revaluation of investment properties of approximately HK\$44.19 million, as compared to last year's loss attributable to equity shareholders of approximately HK\$110.37 million which included deficit on revaluation of investment properties of approximately HK\$43.06 million.

## BUSINESS REVIEW

The continuous outbreak and spreading of the COVID-19, the United States and China tension, and the global unfavourable economic environment have notable effects on the Group's performance for 2021. The Group believes that it will take some time for the economy to recover. To cope with the unfavourable conditions, the Group will diversify its businesses, implement various measures to increase efficiency and strengthen the cost control measures.

### **Toys and Model Trains**

For the financial year ended 31 December 2021, the revenue was approximately HK\$346.63 million, representing an increase of approximately 5.69% as compared to last year.

The Group will continue to explore new sales opportunities and manufacture high quality products with competitive prices to sustain its business.

### **Property Investment**

For the financial year ended 31 December 2021, the Group's rental income amounted to approximately HK\$50.70 million, representing an increase of approximately 14.42% over the previous year. In addition, the Group recorded valuation gains of its investment properties of approximately HK\$44.19 million for the year, as compared to last year's valuation losses of approximately HK\$43.06 million.

During the year under review, the occupancy rate of its investment properties is approximately 75% (2020: approximately 67%).

# Management Discussion and Analysis *(Continued)*

## RISKS AND UNCERTAINTIES

The Group's financial position and results of operations may be affected by a number of risks and uncertainties pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group:

### **Business Risk**

Performance of the Group's core business will be affected by various factors, including but not limited to economic conditions which would not be completely mitigated even with strict operational procedures.

### **Interest Rate Risk**

The Group's interest rate risk arises primarily from bank borrowings. The Group analyses its interest rate exposure on a dynamic basis and manages this risk in a cost-effective manner.

### **Liquidity risk**

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. In managing the liquidity risk, the Group monitors the cash flows and will negotiate with banks for banking facilities, if necessary.

### **Customer risk**

The sales to one of the Group's customers represented approximately 13% of the Group's sales in 2021. The Group has endeavoured to diversify its customer base and provided quality products and services to the customers to maintain good relationship with them so as to mitigate the customer risk.

### **Foreign Exchange Rate Risk**

Major assets, liabilities and transactions of the Group are denominated in Hong Kong dollars, United States dollars, Sterling Pounds ("GBP"), Renminbi Yuan ("RMB"), Japanese Yen ("JPY"), Euro ("EUR") and Australian dollar ("AUD"). As such, the Group faces a certain degree of exchange rate risk mainly arising from GBP, RMB, JPY, EUR and AUD denominated transactions for which the exchange rate volatility is relatively high.

## Management Discussion and Analysis *(Continued)*

### **Environmental policies and performance**

The Group has established the Environmental, Health and Safety Management System and an Environmental, Social and Governance (“ESG”) risk management system to integrate sustainable practices into its business operation. The ESG Committee coordinates the identification and management of the Group’s ESG-related risks, as well as its overall environmental performance of its production facilities. The ESG Working Committee has been set up to implement the Group’s ESG strategy and policies. We strive to minimise our environmental impacts by addressing climate-related risks, managing the consumption of natural resources and setting up goals in reducing greenhouse gas emissions, energy consumption, waste generation and water usage.

During the period from 1 January 2021 to 31 December 2021, the Group was not aware of any material non-compliance with the applicable environmental laws and regulations that have a significant impact on the Group.

### **Key relationships with its employees, customers and suppliers**

The Group has been maintaining long-term trusting relationships with its employees, customers and suppliers:

#### **Employees:**

The Group believes that employees are the driving force behind our business success. We are committed to creating a supportive and innovative workplace for employees as well as cultivating a corporate culture with mutual trust and encouragement. We place a strong focus on improving employment management, safeguarding employees’ health and safety, and ensuring they can fully leverage their strengths and potentials. We respect the unique perspective and experience of each employee. We are determined to provide equal employment and training opportunities to suitable candidates and all staff.

#### **Customers:**

The Group strives to maximise customer loyalty through quality products and on-time delivery. Quality Management system has been developed to systemise and standardise the product quality control process. The Group firmly believes that customer satisfaction plays a vital role within our business as well as acting as a key differentiator that enables us to thrive. All customers are welcomed to express their opinions and suggestions on our products and/or services through different channels.

# Management Discussion and Analysis *(Continued)*

## **Suppliers:**

We understand that it is essential for our supply chain to align with our corporate social responsibility (“CSR”) commitments and thus we select our suppliers carefully. All potential suppliers are requested to process evaluating purposes, including filling in the quality survey, providing compliance proof and submitting testing reports or reference sample. Supplier performance appraisal is also conducted regularly to assess their performance. In addition to quality consideration, we also take into account various ESG-related areas, including anti-corruption, occupational health and safety, product safety, labour standards and environmental protection.

For more details, please refer to the “Environmental, Social and Governance Report” section in this annual report.

## FINANCIAL REVIEW

### **Liquidity and Financial Resources**

As at 31 December 2021, the Group’s net asset value per share was approximately HK\$2.39 (2020: approximately HK\$2.32). The Group had net current liabilities of approximately HK\$82.98 million (2020: approximately HK\$34.98 million). Total bank borrowings were approximately HK\$375.79 million (2020: approximately HK\$324.35 million) while the secured and unsecured total banking facilities were approximately HK\$790.74 million (2020: approximately HK\$743.01 million). Included in total bank borrowings were revolving loans of approximately HK\$348.00 million (2020: approximately HK\$294.00 million) which are intended to be rolled over upon maturity. The Group’s financial gearing, based on the total bank borrowings compared to the total equity, was approximately 16.56% (2020: approximately 14.71%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks for banking facilities for working capital needs, if necessary.

### **Capital Structure**

During the year, there were no changes in the Company’s share capital.

### **Charges on Group Assets**

As at 31 December 2021, investment properties and certain leasehold land and buildings of the Group with a net book value of approximately HK\$1,967.57 million (2020: approximately HK\$1,886.83 million) were mortgaged to various banks to secure the banking facilities granted to the Group.

### **Material Acquisitions and Disposals**

There were no material acquisitions and disposals during the year ended 31 December 2021.

# Management Discussion and Analysis *(Continued)*

## Contingent Liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed 955 (2020: 1,012) full time management, administrative and production staff in the HKSAR, Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plants while the number of management and administrative staff remains stable. The staff costs for the year ended 31 December 2021 amounted to approximately HK\$165.83 million (2020: approximately HK\$158.26 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

## PROSPECTS

For the financial year ended 31 December 2021, there was a turnaround from the loss to profit. The economic outlook for the year ahead will continue to be challenging by keen competition, the outbreak and spreading of the COVID-19 and the United States and China tension. Faced with the challenging economy, the Group will diversify its businesses, explore sales opportunities, raise production efficiency and strengthen the cost control measures in order to sustain its businesses. In addition, the Group has obtained the approval from the Government of the HKSAR for revitalization of Kader Building. The whole processes are expected to be completed by the end of 2022. The revitalization of Kader Building will enhance the Group's source of revenue and profitability.

By order of the Board  
**Kenneth Ting Woo-shou**  
*Managing Director*

Hong Kong, 30 March 2022

# Corporate Governance Report

The Board of Directors is pleased to present this Corporate Governance Report for the year ended 31 December 2021.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance to enhance corporate performance and accountability. The Board regularly reviews and adopts corporate governance guidelines and developments. The Board believes that good corporate governance will in the long term serve to enhance shareholders' value.

The Board sets its corporate governance procedure and duties pursuant to the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and it accordingly reviews and monitors the training and continuous development in profession of directors and senior management and its policies and practices in compliance with relevant laws and regulatory requirements. The Company has adopted and applied a corporate governance policy. During the reporting year, the Group has complied with all code provisions set out in the CG Code, except for the deviation from CG Code A.2.1 as described below:

Under CG Code A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kenneth Ting Woo-shou has the combined role of Chairman and Managing Director. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as non-executive director and independent non-executive directors ("INEDs") form the majority of the Board, with five out of nine of the directors of the Company being non-executive director and INEDs. The Board believes the appointment of Mr. Kenneth Ting Woo-shou to the posts of Chairman and Managing Director is beneficial to the Group as he has considerable industry experience.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Company's directors and relevant employees who are or may be in possession of unpublished inside information. Based on specific enquiries made, all directors have confirmed that they have complied with the Model Code throughout the year.

# Corporate Governance Report *(Continued)*

## BOARD OF DIRECTORS

The Board currently comprises four Executive Directors (one of whom is the Chairman and Managing Director of the Company), namely Mr. Kenneth Ting Woo-shou, Mrs. Nancy Ting Wang Wan-sun, Mr. Ivan Ting Tien-li and Mr. Lao Wai Keung; one Non-executive Director, namely Mr. Bernie Ting Wai-cheung; and four INEDs, namely Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Chofai, Mr. Desmond Chum Kwan-yue and Ms. Sabrina Chao Sih-ming. The biographical details of all directors of the Company, including the relationship amongst them, are set out on pages 25 to 28 of this annual report.

### **Chairman and Managing Director**

Mr. Kenneth Ting Woo-shou currently holds the offices of Chairman and Managing Director of the Company. The Board believes that vesting the roles of both Chairman and Managing Director in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

### **Non-executive Director and Independent Non-executive Directors**

Non-executive Director and INEDs are selected with the necessary skills and experience to provide a strong independent element on the Board and to exercise independent judgement. All Non-executive Director and INEDs are engaged on a term of service of two years renewable for another two years upon expiry. The Board believes the Non-executive Director and INEDs are well qualified and competent in advising the Group on business strategies, finance and management issues. The INEDs are explicitly identified in all corporate communications, and one of them has significant accounting and financial expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each INED a written annual confirmation of independence. All the INEDs meet the independence criteria set out in Rule 3.13 of the Listing Rules.

### **Appointment and Re-election of Directors**

All directors are subject to re-election by shareholders at the annual general meeting following their appointment and at least every three years on a rotational basis. Where vacancies exist on the Board, candidates are proposed and put forward to the Board for consideration and approval. In accordance with the Company's Bye-laws, all newly appointed directors shall hold office until the next following annual general meeting of the Company after their appointment and shall then be eligible for re-election.

# Corporate Governance Report *(Continued)*

## **Continuous Professional Development of Directors**

Upon their appointment, the new directors receive a package of orientation materials and attend extensive presentations given by senior executives to review the Group's businesses and to understand the statutory and regulatory obligations of a director of a listed company. Development and training of directors is an ongoing process so that they can perform their duties appropriately. The Group continuously updates directors on the latest changes in the commercial environment and the current development of the Listing Rules and other applicable regulatory requirements, to ensure compliance and to enhance their awareness of good corporate governance practices. All directors are encouraged to attend relevant training courses at the Company's expense.

The directors have provided to the Company their training records in the year. All of them have participated in appropriate continuous professional development by attending trainings or reading materials relevant to the Company's business or the directors' duties and responsibilities. All directors, namely Mr. Kenneth Ting Woo-shou, Mrs. Nancy Ting Wang Wan-sun, Mr. Ivan Ting Tien-li, Mr. Lao Wai-keung, Mr. Bernie Ting Wai-cheung, Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, Mr. Desmond Chum Kwan-yue and Ms. Sabrina Chao Sih-ming complied with Code Provision A.6.5 of the CG code during the reporting year.

During the year, the Company has renewed the directors' and officers' liability insurance which provides appropriate cover for the directors and senior management.

## **Role of the Board**

The Board is responsible for setting the strategic direction and policies of the Group and supervising management. The functions normally reserved for the Board are the monitoring and approving material transactions; steering the Group on strategic direction; setting up a Board committee for issues the Board deems appropriate; reviewing and approving the interim and final results; overseeing the effectiveness of the risk management and internal control system; overseeing and monitoring the environmental, social and governance matters; evaluating major corporate, strategic and operational issues that have a significant impact on the Group; and evaluating major investment opportunities which management has not already identified and/or, if the investment is so material, requires the Board to make a decision.

## **Board Meetings**

The Board meets regularly and at least four times a year. Additional board meetings will be held when required. The board papers and related materials are dispatched to the directors within a reasonable time before the board meetings. In addition, directors have full access to information of the Group and can obtain independent professional advice whenever deemed necessary. The Company Secretary is responsible for communications with Board members.

## Corporate Governance Report *(Continued)*

### Attendance Records of Directors

The attendance records of individual members of the Board and other Board Committees during the financial year are set out as below:

Name of Directors	Number of meetings attended/held				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Mr. Kenneth Ting Woo-shou	4/4	-	1/1	1/1	1/1
Mrs. Nancy Ting Wang Wan-sun	4/4	-	-	-	1/1
Mr. Ivan Ting Tien-li	4/4	-	-	-	1/1
Mr. Lao Wai-keung <i>(Note 1)</i>	2/2	-	-	-	0/0
Mr. Bernie Ting Wai-cheung	3/4	-	-	-	1/1
Mr. Floyd Chan Tsoi-yin	4/4	2/2	1/1	1/1	0/1
Mr. Andrew Yao Cho-fai	4/4	2/2	1/1	-	1/1
Mr. Desmond Chum Kwan-yue	4/4	2/2	-	1/1	1/1
Ms. Sabrina Chao Sih-ming	4/4	-	-	-	1/1

*Note:*

1. Mr. Lao Wai-keung was appointed as an Executive Director of the Company on 1 July 2021.

During the year, the Chairman held a meeting with the INEDs without the presence of other Directors.

### BOARD COMMITTEES

Pursuant to the CG Code, the Board established three committees, namely, Remuneration Committee, Audit Committee and Nomination Committee to oversee particular aspects of the Group's affairs.

The Company also established the Executive Committee in July 2006 with delegated authority to deal with the various miscellaneous banking matters of the Company. This committee comprises all the Executive Directors of the Company.

## Corporate Governance Report *(Continued)*

The Board is responsible for performing the corporate governance functions which included:–

- (a) developing and reviewing the Company's policies and practices on corporate governance;
- (b) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (c) reviewing and monitoring the training and continuous professional development of the directors and senior management;
- (d) developing, reviewing and monitoring the code of conduct applicable to employees and directors of the Company; and
- (e) reviewing the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

### **Remuneration Committee**

The Remuneration Committee was established in 2005 with written Terms of Reference posted on the Company's website. The Remuneration Committee comprises two INEDs and one Executive Director. Currently, the Remuneration Committee is chaired by Mr. Andrew Yao Cho-fai. Other members of the Committee are Mr. Kenneth Ting Woo-shou and Mr. Floyd Chan Tsoi-yin.

During the year, Remuneration Committee held one meeting to perform their functions as specified in the Terms of Reference. The role and function of the Committee is to make recommendations to the Board on the policy and structure for the remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Committee determines the remuneration packages of individual executive directors and senior management and makes recommendations to the Board on the remuneration of non-executive directors, based on the profitability of the Group, the relevant market data, the performance and contribution of the individual directors. The primary objective is to retain and motivate the directors by linking their remuneration with performance and measuring it against corporate goals. However, no director can approve his or her own remuneration.

The emoluments of each of the director of the Company for 2021 are set out in note 7 to the financial statements.

## Corporate Governance Report *(Continued)*

### Audit Committee

The Audit Committee was established in 1999 with written Terms of Reference posted on the Company's website. The Audit Committee comprises three INEDs. All committee members have appropriate industry and/or financial experience to perform their role in the business of the Audit Committee. Currently, the Committee is chaired by Mr. Desmond Chum Kwan-yue and the other members of the Committee are Mr. Floyd Chan Tsoi-yin and Mr. Andrew Yao Cho-fai.

The Audit Committee held two meetings during the year to perform their functions as specified in the Terms of Reference. During the year under review, the Audit Committee has met with management to review the interim and annual financial statements and to consider key accounting policies, and discussed with management the Group's risk management and internal controls and auditing and financial reporting matters.

Under its Terms of Reference, the duties of the Audit Committee, amongst other things, shall be to oversee the relationship with the external auditors, to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, to consider any questions of resignation or dismissal of that auditor, and to review with senior management and external auditors the accounting principles and practices adopted, the Listing Rules and statutory compliance, internal control, related party transactions, risk management and financial reporting matters, including interim and annual financial statements and to provide recommendations to the Board.

The Audit Committee members have monitored the integrity of the Group's financial statements, annual and interim reports and accounts. They have also reviewed the significant financial reporting judgements contained in them. The review of the financial statements in the annual and interim reports, before submission to the Board, focused on:

1. Any changes in accounting policies and practices;
2. Major judgemental areas;
3. Significant adjustments resulting from audit;
4. The going concern assumptions and any qualifications;
5. Compliance with accounting standards;
6. Compliance with the Listing Rules and other legal requirements in relation to financial reporting; and
7. Any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give due consideration to any matters that have been raised by senior management.

## Corporate Governance Report *(Continued)*

The Audit Committee also discussed issues and reservations arising from the audit work performed, and any matters the auditors might wish to discuss (in the absence of management where necessary).

The Audit Committee has performed an annual review of the control systems which included:

1. Reviewing the financial controls, risk management and internal control systems;
2. Discussing with management the system of risk management and internal control to ensure that management has performed its duty to have an effective risk management and internal control system including the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function;
3. Considering any findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
4. Ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring the effectiveness of the internal audit function;
5. Reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
6. Reviewing the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
7. Ensuring that the Board provided a timely response to the issues raised in the external auditor's management letter; and
8. Reporting to the Board on these matters as deemed appropriate.

## Corporate Governance Report *(Continued)*

### **Nomination Committee**

The Company established the Nomination Committee in 2012 with written Terms of Reference posted on the Company's website. The Nomination Committee comprises two INEDs and one Executive Director. Currently, the Nomination Committee is chaired by Mr. Kenneth Ting Woo-shou. Other members of the Committee are Mr. Floyd Chan Tsoi-yin and Mr. Desmond Chum Kwan-yue.

The Nomination Committee held one meeting during the year. The duties of the Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement corporate strategy; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorship; (iii) assess the independence of INEDs; (iv) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive; (v) review the Board Diversity Policy; and (vi) review the Nomination Policy.

#### *Board Diversity Policy*

The Company has formulated the Board Diversity Policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

#### *Nomination Policy*

The Company has formulated the Nomination Policy in December 2018 aiming at setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board of the Company for appointment or (ii) shareholders of the Company for election, as a director of the Company.

# Corporate Governance Report *(Continued)*

## 1. Nomination Criteria

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

- 1.1 **Skills, Experience and Professional Expertise:** The candidate should possess the skills, knowledge, experience and professional expertise which are relevant to the operations of the Company and its subsidiaries.
- 1.2 **Diversity:** Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company.
- 1.3 **Commitment:** The candidate should be able to devote sufficient time to attend the board meetings and participate in other board associated activities.
- 1.4 **Standing:** The candidate should have the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company.
- 1.5 **Independence:** The candidate to be nominated as an independent non-executive director must satisfy the independence criteria set out in the Listing Rules.

## 2. Nomination Procedures

- 2.1 If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.
- 2.2 On making recommendation, the Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration.
- 2.3 The Board shall observe the Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving board diversity.

## Corporate Governance Report *(Continued)*

### AUDITOR'S REMUNERATION

Each year, the auditors are appointed at the Annual General Meeting ("AGM") and at the AGM held on 24 May 2021, directors were authorised to fix the auditors' remuneration for auditing services rendered.

The fees for audit and audit related services provided by the Group's auditors, KPMG, for the year ended 31 December 2021 are as follows:

<b>Service rendered</b>	<b>Fees paid/payable</b> HK\$
Audit services	4,915,000
Tax services	<u>143,000</u>
	<u><u>5,058,000</u></u>

In addition, audit services and tax services were provided by other auditors to certain subsidiaries for the year ended 31 December 2021 and the related fees amounted to HK\$130,000 and HK\$37,000 respectively.

Save as disclosed above, the auditors have not so far provided any significant non-auditing services. Should any non-auditing services be considered to be conducted by our auditors, the Audit Committee would consider these proposals based on the policy developed by them in this regard, and would then make recommendations to the Board.

### RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibilities to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group. The directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and all applicable disclosure provisions of the Listing Rules. The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The responsibility of the auditors with respect to the financial statements is set out in the Independent Auditor's Report of this annual report.

# Corporate Governance Report *(Continued)*

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Group is committed to set up and maintain an effective risk management and internal control systems which are devised to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimize rather than eliminate the risks of failure in the Group's operational systems.

The Board is responsible for maintaining a sound and effective risk management and internal control systems particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations and safeguard the Company's assets.

During the 2021, the outsourced internal auditor responsible for the review and appraisal on the effectiveness of financial, operational and compliance controls and risk management of the Group, provided reports to the Audit Committee and the management highlighting observations and recommendations to improve the risk management and internal control systems. The management agreed on the findings and adopted the recommendations accordingly.

The Audit Committee considered that there was no material defect in the Company's internal control review report.

The Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems during the year, including financial, operational, compliance and risk management. The Board is of the view that the existing risk management and internal control systems are effective and adequate to the Group.

For the handling and dissemination of inside information, the Group has set up the following procedures and internal controls:

- (1) The non-disclosure of confidential information is codified in the staff handbook;
- (2) The inside information will only be disseminated to specified persons on a need-to-know basis; and
- (3) The notifications regarding blackout period and securities dealing restrictions are sent to the relevant directors and employees.

The Group will review the effectiveness of the current procedures from time to time to ensure the compliance of the regulatory requirements.

## Corporate Governance Report *(Continued)*

### DIVIDEND POLICY

Dividends may be distributed by way of cash and by other means that the Board considers appropriate. A decision to declare and pay dividends will require the approval of the Board and will be at its discretion. Such discretion is subject to the applicable laws and regulations, the Company's Bye-Laws and the approval of the shareholders, if applicable.

In determining the dividend payment ratio in respect of a financial year, the Board will take into account a desire to maintain and increase the dividend levels within the overall objective of maximizing shareholders' value over the long term. The dividend will generally be paid in the form of an interim and a final dividend.

In considering the level of dividend and means of payments, the Board will take into account the following factors:

1. results of operations and retained earnings;
2. cash flows;
3. financial conditions;
4. shareholders' interest;
5. capital requirements and investment plans;
6. general business conditions and strategies;
7. dividend yield of similar-sized companies listed in Hong Kong;
8. other relevant factors.

### SHAREHOLDERS' RIGHTS

Shareholders are encouraged to attend the annual general meeting for which at least 21 days' notice is given. This provides opportunities for shareholders and investors to raise their queries and share their views with our directors and/or senior management. Shareholders may call for special general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the principal place of business a written request for such general meetings together with the proposed agenda items. At any general meeting a resolution put to the vote of the meeting must be taken by poll.

# Corporate Governance Report *(Continued)*

## INVESTOR RELATIONS

The Group endeavours to continue maintaining a high level of transparency in communicating with shareholders and investors. The Group is committed to maintain two-way communications with shareholders and investors and to update shareholders and investors on relevant information in its business in a timely manner subject to the relevant regulatory requirements.

Enquiries may be put to the Board through the Company Secretary by post at the principal place of business of the Company.

The Group maintains a corporate website at [www.kaderholdings.com](http://www.kaderholdings.com) which enables shareholders and investors to track the Group's latest developments. This acts as an effective medium for information disclosure, and provides comprehensive and update information on the Group's operations, announcements, circulars, notices, as well as interim and annual reports. During the year, there is no substantial change in the Memorandum of Association and Bye-laws of the Company.

As at 31 December 2021, the Company had 950,587,991 shares in issue, with a par value of HK\$0.10 each. Interests of the directors and chief executives in the shares of the Company are disclosed in the Directors' Report set out on pages 29 to 31 of this annual report.

# Directors' Report

The Directors of the Company have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The Company is incorporated in Bermuda under the Bermuda Companies Act 1981 with limited liability. The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are the manufacture and trading of plastic, electronic and stuffed toys and model trains, property investment, and investment holding.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 10 to the financial statements.

## SUBSIDIARIES

Particulars of the Company's major subsidiaries at 31 December 2021 are set out in note 13 to the financial statements.

## FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2021 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 80 to 178.

## BUSINESS REVIEW

A business review of the Group is provided in the Management Discussion and Analysis on pages 4 to 8. An analysis of the Group's performance using financial key performance indicators is provided in the Five-Year Summary on pages 180 to 182. No important events affecting the Group have occurred since the end of the financial year under review.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 180 to 182 of the annual report.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 27(c) to the financial statements. There was no change in the authorized and issued share capital during the year.

## Directors' Report *(Continued)*

### TRANSFER TO RESERVES

Profit attributable to equity shareholders, before dividends, of approximately HK\$45,942,000 (2020: loss of approximately HK\$110,366,000) have been transferred to reserves. Other movements in reserves during the year are set out in the consolidated statement of changes in equity.

### DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK\$Nil).

### DONATIONS

Donations made by the Group during the year for charitable and other purposes amounted to approximately HK\$33,000 (2020: HK\$24,000).

### EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Group during the year or subsisted at the end of the financial year.

### PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 11 to the financial statements.

### BANK LOANS

Particulars of bank loans of the Group as at 31 December 2021 are set out in note 22 to the financial statements.

### RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 30 to the financial statements.

### PROPERTY

Particulars of the property of the Group are shown on page 179 of the annual report.

## Directors' Report *(Continued)*

### MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales attributable to the Group's largest suppliers and customers are as follows:

	2021	2020
	%	%
Purchases		
– the largest supplier	11	9
– five largest suppliers combined	31	30
Sales		
– the largest customer	13	17
– five largest customers combined	27	43

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest at any time during the year in the above customers or suppliers.

### RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2021 are set out in note 31 to the financial statements.

### DIRECTORS

The Board during the financial year and up to the date of this report was:

#### **Executive Directors:**

Mr. Kenneth Ting Woo-shou (*Chairman and Managing Director*)  
 Mrs. Nancy Ting Wang Wan-sun  
 Mr. Ivan Ting Tien-li  
 Mr. Lao Wai-keung (*appointed on 1 July 2021*)

#### **Non-executive Director:**

Mr. Bernie Ting Wai-cheung

#### **Independent Non-executive Directors:**

Mr. Floyd Chan Tsoi-yin  
 Mr. Andrew Yao Cho-fai  
 Mr. Desmond Chum Kwan-yue  
 Ms. Sabrina Chao Sih-ming

## Directors' Report *(Continued)*

The Company has received from each of its INEDs an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers its INEDs to be independent. Members of the Board clearly understand their responsibility and obligations.

Mr. Kenneth Ting Woo-shou, Mr. Desmond Chum Kwan-yue and Ms. Sabrina Chao Sih-ming shall retire by rotation in accordance with the Company's Bye-laws 109(A) and 189(ix), and Mr. Lao Wai Keung shall retire in accordance with the Company's Bye-laws 100 and 189(v), and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

#### Chairman and Managing Director

**Mr. Kenneth Ting Woo-shou, SBS, JP**, aged 79, was reappointed as the Managing Director of the Company in July 2012. He was appointed as the Chairman of the Company and resigned as the Managing Director of the Company in July 2010. He has been the Managing Director of the Company since its incorporation in 1989. He has been a director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 1971 and was appointed as the Chairman in 1993. He was appointed as an Independent Non-executive Director of Cheuk Nang (Holdings) Limited in November 2012. He resigned as an Independent Non-executive Director of Wheelock and Company Limited ("Wheelock") on 27 July 2020. The listing of Wheelock on the Stock Exchange was withdrawn on the same day.

Mr. Ting currently serves as the Honorary President of HK Wuxi Trade Association Limited, The Federation of HK Jiangsu Community Organisation, Federation of Hong Kong Industries, The Chinese Manufacturers' Association of Hong Kong and The Toys Manufacturers' Association of Hong Kong Limited, and the Honorary Life President of the Hong Kong Plastics Manufacturers' Association Limited.

He also serves as a member of a number of other trade organisations and public committees such as The Hong Kong General Chamber of Commerce. He is Life Honorary Court Member of The Hong Kong University of Science and Technology.

Mr. Ting is a director of H.C. Ting's Holdings Limited (a substantial shareholder of the Company), which is owned as to 80% by Border Shipping Limited, a company in which Mr. Ting and Forest Crimson Limited (a substantial shareholder of the Company) have controlling interests. He is the father of Mr. Ivan Ting Tien-li, Executive Director of the Company, husband of Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and uncle of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

## Directors' Report *(Continued)*

### Executive Directors

**Mrs. Nancy Ting Wang Wan-sun**, aged 74, was appointed as a Non-executive Director of the Company in January 2008, and re-designated as an Executive Director of the Company in February 2009. She has been an Executive Director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 2001. Mrs. Ting has not held any directorship in other listed public companies in the last three years. She was appointed as Trustee of the Hong Kong Children's Hospital Charitable Foundation for a three-year term from 5 November 2019 to 4 November 2022. She is the wife of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company, the mother of Mr. Ivan Ting Tien-li, Executive Director of the Company, and the auntie of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

**Mr. Ivan Ting Tien-li**, aged 46, was appointed as an Executive Director of the Company in April 2006. He was appointed as the Managing Director of the Company in July 2010, and stepped down from that position when he was re-designated as a Non-executive Director of the Company in July 2012. He was re-designated as an Executive Director of the Company in April 2018. Mr. Ting holds a Bachelor's Degree in International Politics and Economics. He is one of the authorized representatives of the Company. He has been an Executive Director of Kader Industrial Company Limited, a wholly-owned subsidiary of the Company, since 1998. Apart from this, he also serves as director of certain other subsidiaries of the Company. Mr. Ting was appointed as an Independent Non-executive Director of Harbour Center Development Limited in December 2018. Mr. Ting currently serves as the Chairman of Hong Kong Toys Council and a General Committee Member of the Hong Kong Exporters' Association. He is the son of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company and Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and the cousin of Mr. Bernie Ting Wai-cheung, Non-executive Director of the Company.

**Mr. Lao Wai-keung**, aged 57, was appointed as an Executive Director of the Company in July 2021. He joined the Group as the Financial Controller in 2011 and is currently the Company Secretary of the Company. He is primarily responsible for overall financial, accounting and company secretarial matters of the Group. Mr. Lao also holds various positions in a number of subsidiaries of the Company.

Prior to joining the Group, Mr. Lao had more than 20 years of experience in auditing and finance from an international audit firm and various Hong Kong listed companies.

Mr. Lao graduated from the University of London with a bachelor's degree in Economics. He is a fellow of the Institute of Chartered Accountants in England and Wales and a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants. Mr. Lao has not held any directorship in other listed public companies in the last three years.

### Non-executive Director

Mr. Bernie Ting Wai-cheung, aged 56, was appointed as a Non-executive Director of the Company in July 2010. He was appointed as a director of Kader Industrial Company Limited since July 2010. He is the Director and General Manager of Qualidux Industrial Company Limited. He studied Mechanical Engineering at the University of Toronto, Canada. He obtained his MBA at Worcester Polytechnic Institute in the USA. He briefly worked in a manufacturing company in Canada. He is now working at Qualidux Industrial Company Limited as the Director and General Manager. Mr. Ting has not held any directorship in other listed public companies in the last three years.

## Directors' Report *(Continued)*

Mr. Ting is the Honorary President of Hong Kong Toys Council under the auspices of the Federations of Hong Kong Industries. He became the Vice President of International Council of Toys Industries (ICTI) in 2009 to 2015 and has become the President of Asian Committee of Toy Industries since May 2018. As part of his public duties in Hong Kong, he was the Chairman of Hong Kong Q-Mark Council (from 2011 to 2021). He is the Vice Chairman of The Hong Kong Standards and Testing Centre Limited. He is the Director of Hong Kong Certification Centre Limited. He is the Vice Chairperson of "CreateSmart Initiative" Vetting Committee. Mr. Ting is the Vice President of The Hong Kong Plastics Manufacturers Association Limited. He has been appointed by the Financial Secretary of the Hong Kong Special Administrative Region as member of Standing Committee on Company Law Reform since 1 February 2019. He has been appointed by the Secretary for Innovation and Technology as a member of the Accreditation Advisory Board since November 2020. On 1 January 2021, the Secretary for Commerce and Economic Development has appointed Mr. Ting as a member of the Hong Kong Export Credit Insurance Corporation Advisory Board. He contributes his spare time to community service through Rotary Club of Hong Kong South.

He is the nephew of Mr. Kenneth Ting Woo-shou, Chairman and Managing Director of the Company and Mrs. Nancy Ting Wang Wan-sun, Executive Director of the Company, and the cousin of Mr. Ivan Ting Tien-li, Executive Director of the Company. Mr. Ting is a substantial shareholder of Forest Crimson Limited which is a substantial shareholder of the Company.

### **Independent Non-executive Directors**

**Mr. Floyd Chan Tsoi-yin**, aged 78, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Chan is a member of the American Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. He had been a partner of BDO Seidman in the United States for many years. He was the Asia Pacific Regional Coordinator of BDO International and a member of BDO McCabe Lo Limited's executive committee in Hong Kong. He has significant experience in assisting clients in exploring business opportunities in the Asia Pacific region, particularly the Southeast Asian developing countries and The People's Republic of China. He is also closely involved with assisting clients in developing business in North America and Europe. Mr. Chan has not held any directorship in other listed public companies in the last three years.

**Mr. Andrew Yao Cho-fai, JP**, aged 56, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Yao, graduated from the University of California, Berkeley and Harvard Graduate School of Business, is the Chairman of Hong Kong Shanghai Alliance Holdings Limited (formerly Van Shung Chong Holdings Limited) (a company listed on the Main Board of the Stock Exchange). Mr. Yao retired as an Independent Non-executive Director of Shanghai Dazhong Public Utilities (Group) Co., Ltd., a company listed on the Main Board of the Stock Exchange, on 22 June 2020.

Mr. Yao is the Hong Kong Deputy of the 12th and 13th National People's Congress of People's Republic of China, Vice Chairman of Shanghai Chinese Overseas Friendship Association, Chairman of Hongkong-Shanghai Economic Development Association, Chairman of the Council of Lingnan University, Vice Chairman of Shanghai Federation of Industry & Commerce, Board Member of Fudan University in Shanghai.

## Directors' Report *(Continued)*

**Mr. Desmond Chum Kwan-yue**, aged 49, was appointed as an Independent Non-executive Director of the Company in March 2009. Mr. Chum was a portfolio manager at Claren Road Asset Management from 2008 to 2017, a company that provides financial services, and was responsible for building and managing a portfolio of regional corporate and sovereign bonds. Prior to working at Claren Road Asset Management, Mr. Chum was a Managing Director of Citigroup where he spent 12 years and helped to build its fixed income franchise in Asia. He oversaw a team of investment professionals and ran the Global Special Situations Group's investment activities in the Greater China Region. He has extensive experience in sourcing, evaluating and executing private lending, private equity and real estate investments in the Greater China Region. He resigned as an Independent Non-executive Director of Classified Group (Holdings) Limited in June 2018. Mr. Chum graduated from Oxford University.

**Ms. Sabrina Chao Sih-ming**, aged 47, was appointed as an Independent Non-executive Director of the Company in July 2019. Ms. Chao is the Chairman of Wah Kwong Shipping Holdings Limited. She graduated from the Imperial College London in 1996 with a Bachelor of Science Degree in Mathematics with Management. She began her career in finance working for Jardine Fleming during 1997 to 1999, and for PricewaterhouseCoopers during 1999 to 2001. Ms. Chao has been the Director and Managing Director of Wah Kwong Shipping Holdings Limited since July 2002. She was the Executive Director and Chairman of Wah Kwong Maritime Transport Holdings Limited between September 2007 and August 2019.

Ms. Chao was the past Chairman of Asian Shipowners' Association during 2016 to 2017 and the Hong Kong Shipowners Association during 2015 to 2017. She also served as a member of the Hong Kong Maritime and Port Board under the Transport and Housing Bureau of the Government of the Hong Kong Special Administrative Region during 2016 to 2017. In May 2021, Ms. Chao was elected as President of the Baltic and International Maritime Council (BIMCO) for a 2-year term. She is presently the Chairman of External Advisory Group of the Department of Logistics and Maritime Studies in Hong Kong Polytechnic University and the Chairman of Maritime Services Training Board under Vocational Training Council. She was named as Honorary President by the Women's International Shipping & Trading Association since 2009 and Commodore by the Connecticut Maritime Association in 2018.

Ms. Chao has been appointed as the member of the Council of Lingnan University since 2018. In addition to above, she is Honorary Consul of Norwegian Honorary Consulate in Hong Kong; a member of the Standing Committee of the Chinese People's Political Consultative Conference (CPPCC) in Jiangsu Province of the People's Republic of China; Young Global Leaders awarded by the World Economic Forum; a member of Young Presidents' Organization; Executive Vice Chairman of Federation of Jiangsu Community Organization; and Executive Vice Chairman of Wuxi Chamber of Commerce and Advisor of Wusih Residents (H.K.) Association.

## Directors' Report (Continued)

### DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting have an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

All Non-executive Director and INEDs are engaged on a term of service of two years, renewable for another two years upon expiry. The renewal is subject to re-election upon retirement by rotation at the forthcoming annual general meeting under the Company's Bye-laws 109(A) and 189(ix).

### DISCLOSURE OF INTERESTS

#### Directors' Interests and Short Positions in the Shares and Underlying Shares of the Company and the Associated Corporations

As at 31 December 2021, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### (1) Interests in the Company

Name of directors	Number of ordinary shares of HK\$0.10 each				% of total issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Mr. Kenneth Ting Woo-shou	288,929,941	2,075,183 <sup>(i)</sup>	258,963,571 <sup>(ii)</sup>	549,968,695	57.86%
Mrs. Nancy Ting Wang Wan-sun	2,075,183	-	-	2,075,183	0.22%
Mr. Ivan Ting Tien-li	21,530,432	-	-	21,530,432	2.26%
Mr. Lao Wai-keung (appointed on 1 July 2021)	-	-	-	-	-
Mr. Bernie Ting Wai-cheung	-	-	-	-	-
Mr. Floyd Chan Tsoi-yin	-	-	-	-	-
Mr. Andrew Yao Cho-fai	-	-	-	-	-
Mr. Desmond Chum Kwan-yue	-	-	-	-	-
Ms. Sabrina Chao Sih-ming	-	-	-	-	-

#### Notes:

- (i) The spouse of Mr. Kenneth Ting Woo-shou is the beneficial shareholder.
- (ii) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Border Shipping Limited; and 49,292,571 shares of the Company held by Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Tyrol Investments Limited.

## Directors' Report *(Continued)*

### (2) Interests in Associated Corporations

Name of associated corporations	Beneficial interests	Class of shares	Number of shares held			% of interests in associated corporations
			Personal interests	Family interests	Corporate interests	
Allman Holdings Limited ("Allman")	Mr. Ivan Ting Tien-li	Ordinary shares of US\$1.00 each	920 <sup>(i)</sup>	-	-	63.89%
Pacific Squaw Creek, Inc. ("PSC")	Mr. Ivan Ting Tien-li	Ordinary shares of US\$1.00 each	-	-	1,000 <sup>(ii)</sup>	100.00%
Squaw Creek Associates, LLC ("SCA")	Mr. Ivan Ting Tien-li	Not applicable <sup>(iii)</sup>	-	-	-	62.00% <sup>(iv)</sup>
SCA	Mr. Kenneth Ting Woo-shou	Not applicable <sup>(iii)</sup>	-	-	-	13.00% <sup>(v)</sup>
Snow King Properties, LLC ("SKP")	Mr. Ivan Ting Tien-li	Not applicable <sup>(iv)</sup>	-	-	-	62.00% <sup>(v)</sup>
SKP	Mr. Kenneth Ting Woo-shou	Not applicable <sup>(iv)</sup>	-	-	-	13.00% <sup>(v)</sup>

**Notes:**

- (i) These interests are held by Mr. Ivan Ting Tien-li.
- (ii) These interests are held by Allman. Mr. Ivan Ting Tien-li's beneficial interests in Allman are disclosed in note (i) above.
- (iii) SCA does not have issued share capital, the percentage of interest in SCA represents the interest in capital account balance.
- (iv) SKP does not have issued share capital, the percentage of interest in SKP represents the interest in capital account balance.
- (v) These interests are held by PSC. Mr. Ivan Ting Tien-li's beneficial interests in PSC are disclosed in note (ii) above.
- (vi) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

## Directors' Report (Continued)

All the interests stated above represent long positions. As at 31 December 2021, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 31 December 2021, none of the directors and chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS

As at 31 December 2021, substantial shareholders and other persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO were as follows:

Substantial shareholders and other persons	Number of ordinary shares of HK\$0.10 each			Total interests	% of total issued share capital
	Personal interests	Family interests	Corporate interests		
Forest Crimson Limited	-	-	209,671,000 <sup>(i)</sup>	209,671,000	22.06%
Mr. Ting Hok-shou	13,800,238	571,429 <sup>(ii)</sup>	39,098,281 <sup>(iii)</sup>	53,469,948	5.62%
Ms. Emily Tsang Wing-hin	571,429	13,800,238 <sup>(iv)</sup>	39,098,281 <sup>(iii)</sup>	53,469,948	5.62%

#### Notes:

- (i) Included in the "Corporate Interests" above was 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Forest Crimson Limited has a controlling interest through Border Shipping Limited.
- (ii) The spouse of Mr. Ting Hok-shou, Ms. Emily Tsang Wing-hin, is the beneficial shareholder.
- (iii) Included in the "Corporate Interests" above were 3,913,997 shares of the Company held by Golden Tree Investment Company Limited, in which Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest; and 35,184,284 shares of the Company held by Kimpont Limited, in which Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest through Golden Tree Investment Company Limited and Yale Investment Corporation.
- (iv) The spouse of Ms. Emily Tsang Wing-hin is the beneficial shareholder.

Save as disclosed above, as at 31 December 2021, the Company was not notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO.

## Directors' Report *(Continued)*

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

### EMOLUMENT POLICY

The emoluments of the directors and senior management are determined with reference to the prevailing market practice, the profitability of the Group, the directors' performance and responsibilities within the Group and contributions to the Group. The Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group subject to the Group's profitability and the individual's performance.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Mr. Kenneth Ting Woo-shou and Mr. Bernie Ting Wai-cheung, directors of the Company, are considered to have interests in Qualidux Industrial Company Limited ("Qualidux"), a company engaging in toy manufacturing long before the listing of the Company on the Stock Exchange, which competes or is likely to compete with the business of the Group pursuant to the Listing Rules. The average workforce of Qualidux was approximately 100.

As the Board of the Company is independent from the board of the abovementioned company and none of the above directors can control the Board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such company.

## Directors' Report *(Continued)*

### PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, the Directors and officers of the Company are entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses, which they or any of them, their or any of their executors or administrators, shall or 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 respective offices or otherwise in relation thereto, to the extent as permitted by law. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

### AUDITORS

The financial statements for the year ended 31 December 2021 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board  
**Kenneth Ting Woo-shou**  
*Chairman*

Hong Kong, 30 March 2022

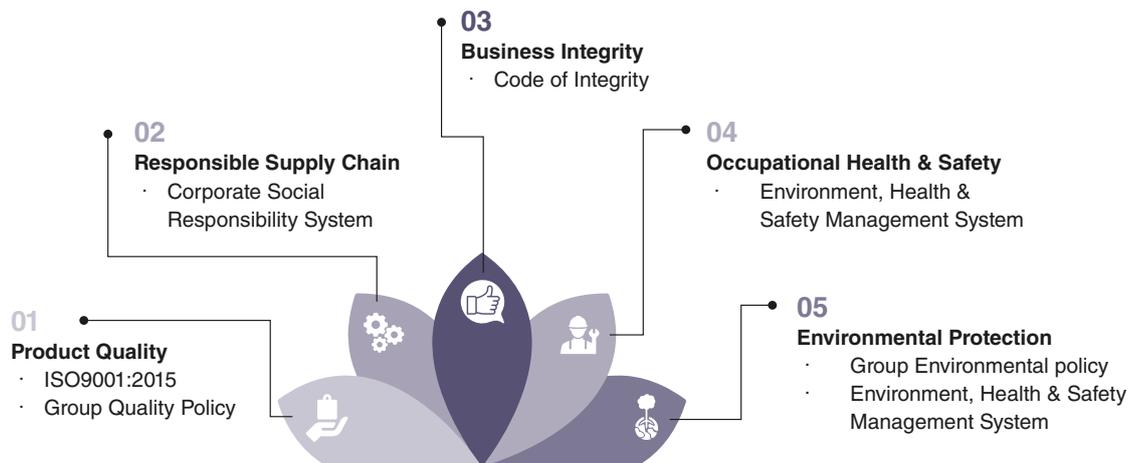
# Environmental, Social & Governance Report

## OUR SUSTAINABILITY APPROACH

Upholding the mission to provide fair pricing, superior services and high calibre products for all our clients and customers, the Group has established six corporate values for our staff to adhere to.

<p><b><u>Be Beneficial</u></b></p> <ul style="list-style-type: none"> <li>• Do things that will help the Group to thrive</li> </ul>	<p><b><u>Be Ethical</u></b></p> <ul style="list-style-type: none"> <li>• Do what is right to the environment, the society, and our key stakeholders</li> </ul>	<p><b><u>Be Fair</u></b></p> <ul style="list-style-type: none"> <li>• Treat all employees, vendors/suppliers, customers fairly</li> </ul>
<p><b><u>Make "A"s</u></b></p> <ul style="list-style-type: none"> <li>• Always strive to make products and provide services that are of "A" quality</li> </ul>	<p><b><u>Have Integrity</u></b></p> <ul style="list-style-type: none"> <li>• Be honest and trustworthy</li> </ul>	<p><b><u>Be Responsible</u></b></p> <ul style="list-style-type: none"> <li>• Actively take up the responsibility for the products, actions and each other</li> </ul>

The Group has implemented a comprehensive internal management system to manage our ESG aspects including product quality, responsible supply chain, business integrity, occupational health and safety, and environmental protection. The management system serves as the foundation and guiding principles for managing our daily operations that pose potential impacts on our customers, employees, supply chain, and the community as well as assisting the Group to integrate the environment considerations in our business and operational plans. Management procedures for each of the aspects are developed to clearly state the responsibilities of relevant departments and personnel as well as the corporate standards.



Management Procedures under Our Internal Management System

## Environmental, Social & Governance Report *(Continued)*

### Sustainability Governance

Integrating sustainable practices into a business has never been more important nowadays. As a responsible manufacturer, the Group has no hesitation to take up its responsibility in creating long-term value to its stakeholders. The Board has the overall responsibility for the Group's ESG management, including but not limited to overseeing corporate ESG strategies and the effectiveness of the Group's ESG risk management, making decisions on ESG aspects, and reviewing progress made against ESG-related goals and targets.

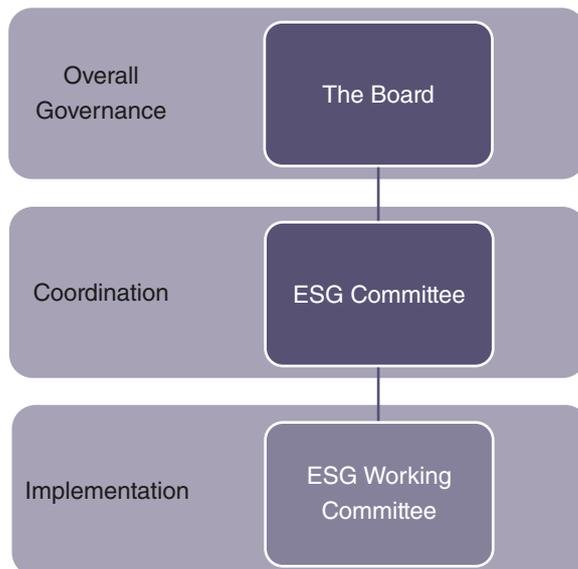
With the purpose to systemise our sustainability governance, the Group has established the ESG Committee to oversee and monitor our ESG matters as well as carrying out the following duties:

- To evaluate and determine the Group's ESG related risks (including climate-related risks) and opportunities;
- To ensure appropriate and effective ESG risk management and internal control systems are in place;
- To set the Group's ESG management approach, strategy, priorities and objectives;
- To set the Group's ESG related goals and targets and review the performance periodically;
- To approve disclosures in the Company's ESG report; and
- To provide updates to the Board as required.

The ESG Committee is required to hold a meeting at least twice a year to discuss the ESG matters of the Group.

### ESG Risk Management

The Group places a great emphasis on the identification, assessment and management of ESG-related risks, including climate physical and transition risks. Senior management and employees are invited to fill in the ESG Risk Assessment Survey for identifying ESG-related risks that may pose/have posed impacts to the Group's business and operations at least once a year. The results are analysed by the ESG Committee before formulating suitable countermeasures. The ESG Committee is also appointed to ensure appropriate and effective ESG risk management and internal control systems are in place with the support from the ESG Working Committee.



## Environmental, Social & Governance Report *(Continued)*

Below are some of the countermeasures implemented to address the impacts of the identified ESG risks.

Risk Identified	Countermeasure(s) Implemented
Supply Chain Risk	<p>Improper management of the environmental and social performance of suppliers may result in damage of company reputation. In order to mitigate the risk, we carefully select suitable suppliers. Regular supplier evaluation is also in place to make sure our suppliers are in line with the Group's corporate social responsibility ("CSR") standards. For more details, please refer to the section headed Supply Chain Management in this report.</p>
Occupational Health and Safety Risk	<p>Failure in providing a safe working environment to employees may lead to legal consequences. The Group has formed an Environment, Health and Safety ("EHS") Committee to manage all occupational health and safety issues in our manufacturing factories. Internal inspections and committee meetings are conducted regularly to monitor the implementation of safety measures in the workplace.</p> <p>During COVID-19 pandemic, we mandate several measures in the workplace, including mask-wearing requirements, body temperature measurement, flexible working hours and work from home arrangements of applicable staff, to protect our employees from the virus. For more details, please refer to the section headed Occupational Health and Safety in this report.</p>

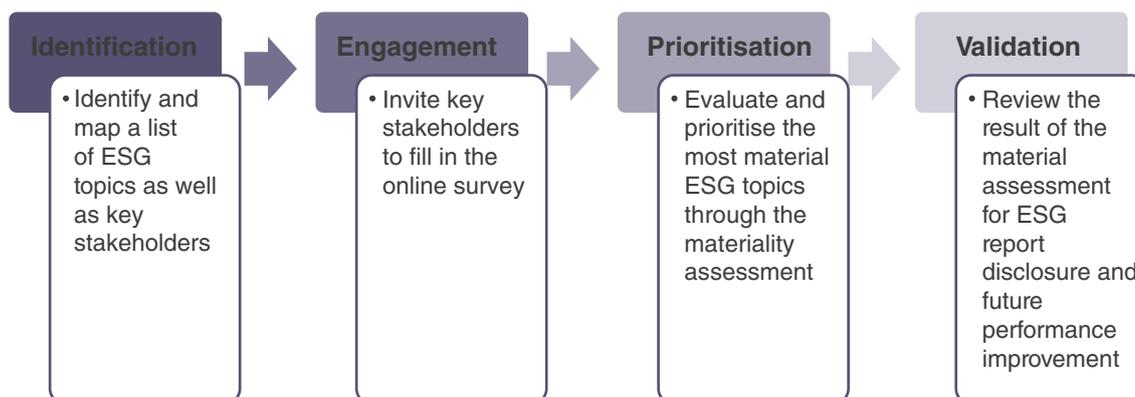
# Environmental, Social & Governance Report *(Continued)*

## STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

Acknowledging that a successful business development lays on a strong collaboration with stakeholders, the Group values every stakeholders' interests by engaging them and responding their concerns and expectations through regular communications. The following list summarises our communication channels with different stakeholder groups:

Stakeholder groups	Engagement methods
Board of directors, shareholders and investors	<ul style="list-style-type: none"> <li>• Company website and announcement</li> <li>• Annual and interim reports</li> <li>• Regular meetings</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Annual and interim reports</li> <li>• Customer service channels</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Training and orientation</li> <li>• Intranet</li> <li>• Performance review</li> <li>• Company activities</li> <li>• Opinion box</li> <li>• Staff satisfaction survey</li> </ul>
Suppliers and business partners	<ul style="list-style-type: none"> <li>• Selection assessment</li> <li>• Procurement process</li> <li>• Supplier performance appraisal or audit</li> <li>• Regular communication (e.g. emails, meetings, on-site visits etc.)</li> </ul>

With the purpose to provide a direction and framework for our ESG management, it is necessary to identify the material ESG issues that matter the most to the Group. An online questionnaire consisting of twenty-seven identified ESG topics was sent to our key stakeholder groups, such as the Board, employees, customers. Each of the topics was scored in accordance with its relevance and importance to the Group's business operations and the stakeholders themselves respectively.



## Environmental, Social & Governance Report *(Continued)*

Based on the materiality of each of the ESG topics expressed by the stakeholders, the ESG topics are prioritised and shown in the materiality matrix below:



● **Environment**

- 1 Air emission
- 2 Greenhouse gas emission
- 3 Climate change
- 4 Energy efficiency
- 5 Water & effluents
- 6 Use of materials
- 7 Waste management
- 8 Environmental compliance

● **Employment**

- 9 Labour rights
- 10 Labour-management relations
- 11 Employee retention
- 12 Diversity and equal opportunity
- 13 Non-discrimination
- 14 Occupational health and safety
- 15 Employee training
- 16 Employee development
- 17 Prevention of child labour & forced labour

● **Community**

- 27 Community support

● **Operation**

- 18 Customer satisfaction
- 19 Customer service quality & complaints handling
- 20 Customer health and safety
- 21 Marketing and product and service labelling compliance
- 22 Intellectual property
- 23 Customer privacy and data protection
- 24 Responsible supply chain management
- 25 Business ethics
- 26 Socio-economic compliance

## Environmental, Social & Governance Report *(Continued)*

To have better strategic planning and resource allocation, we classified those ESG topics into three categories: high, medium and low. The topics which fell in the upper right corner of the matrix were defined as the topics that matter most to the Group's business operations and our stakeholders as far as they were concerned. The Group has acknowledged the expectations of our stakeholders and is committed to improving our ESG performance, governance and policies in the future.

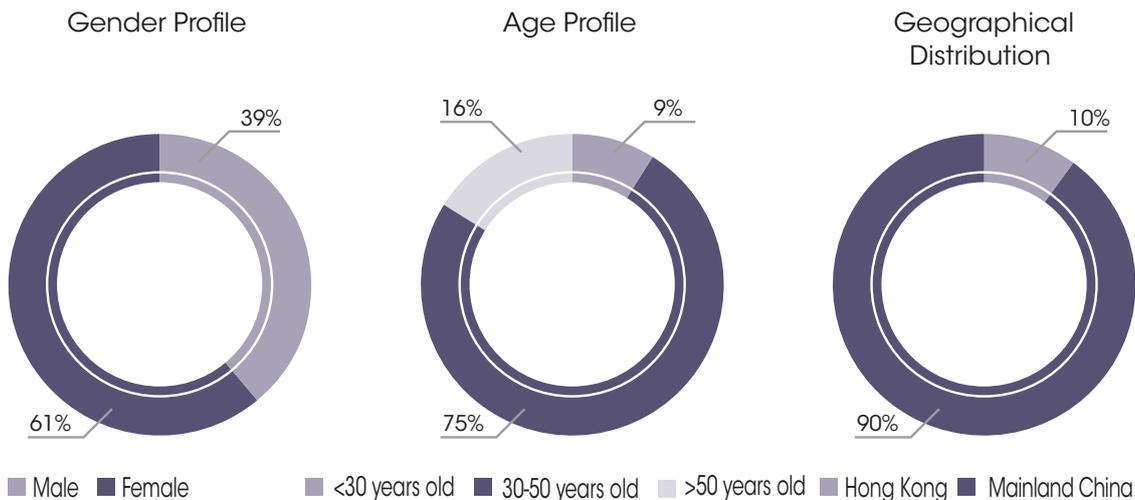
### A RESPONSIBLE EMPLOYER

Employees of the Group are the driving force behind our business success. Adhering to the value of people-oriented, the Group is committed to creating a supportive and innovative workplace for employees as well as cultivating a corporate culture with mutual trust and encouragement. We place a strong focus on improving employment management, safeguarding employees' health and safety, and ensuring they can fully leverage their strengths and potentials.

During the Reporting Period, the Group had no material non-compliance with applicable laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, and child and forced labour.

### Employment Practices

As at 31 December 2021, the Group had a total number of 707 full-time employees, of whom 10% and 90% resided in Hong Kong and in Mainland China respectively. Employees aged between 30 to 50 years old accounted for 75% of our total workforce, while 9% and 16% of the employees aged below 30 and above 50 respectively.



## Environmental, Social & Governance Report *(Continued)*

Employee Turnover Rate <sup>1</sup>		Hong Kong Office	Manufacturing Facility & Warehouse
Total		45.95%	64.77%
By gender	Male	40.48%	91.34%
	Female	53.13%	49.50%
By age group	Below 30	0%	340.32%
	30 to 50	40.00%	35.60%
	Over 50	60.00%	30.59%
By geographical region	Hong Kong	45.95%	–
	Mainland China	–	64.77%

Guided by the Employment Policy and Employee Handbook, our employment practices, including recruitment and selection, working hours, rest period, attendance, performance appraisal and promotion, termination, workplace discipline and other employee benefits and welfare, are all standardised in accordance with relevant laws and regulations, such as the Labour Law of the People's Republic of China ("PRC"), and the Labour Contract Law of the PRC.

To attract, motivate and retain talents, the Group offers competitive remuneration packages to suitable candidates. Meanwhile, the Group spares no effort in creating a supportive working environment for our employees by giving them the flexibility to manage their individual needs in life and at work. Apart from paid annual leaves and statutory holidays, we offer a range of benefits for our employees.

<sup>1</sup> The turnover rate is calculated by dividing the number of employees in the specified category leaving employment during FY2021 by the number of employees in the specified category as at 31 December 2021.

## Environmental, Social & Governance Report *(Continued)*

<b>Paid Leaves</b>	
Sick Leave	Maternity Leave
Bereavement Leave	Paternity Leave
Marriage Leave	Jury Duty Leave
<b>Mandatory Employee Package</b>	
Mandatory Provident Fund (Hong Kong)	Mandatory Social Welfare Scheme (PRC)
<b>Other Benefits</b>	
Medical Benefits	Personal Accident Insurance
Business Trip Subsidy	Meal Subsidy
Free Use of Staff Canteen	Free Use of Staff Dormitory
Employee Training	

Diversity and inclusion have been the building blocks of the Group's business development. We respect the unique perspective and experience of each employee. Incorporating the commitment in cultivating an inclusive workplace in the Group's human resources management approach, we are determined to provide equal employment and training opportunities to suitable candidates and all staff. Meanwhile, guided by our Employee Handbook and Code of Conduct ("CoC"), we are committed to providing a working environment free of discrimination and harassment based on race, gender, religion, age, nationality, ethnic origin, marital status, disability status or other forms of difference that are unrelated to the job requirements. All employment decisions, including recruitment, selection, training, promotion, compensation, and termination of employees, must be made without bias against such characteristics. Considering the convenience for the disabled groups, we have also installed barrier-free facilities for their easy access.

### **Occupational Health & Safety**

Under the EHS Management System, the management of our occupational health and safety matters embraces our value in the principle of "Safety First, Prevention First".

The management guidelines are aligned with the Group's development strategy as well as applicable laws and regulations, such as the Health Ordinance in Hong Kong, the Law of the PRC on Prevention and Control of Occupational Diseases, and the Production Safety Law of the PRC. Meanwhile, the Group adopts new models of production facilities to support the implementation of the system. The EHS Committee is appointed to oversee the implementation and effectiveness of the EHS Management System and relevant policies as well as monitoring the safety goals and targets at the factories to foster a safe and healthy working environment for the employees.

## Environmental, Social & Governance Report *(Continued)*

Adhering to the highest standards for workplace safety, our occupational health and safety management covers the aspects of hazards identification, prevention and control, safety inspection and performance monitoring, emergency preparedness, incidents investigation and corrective action, and safety training and education. Specific policies related to fire safety, hazardous waste management, occupational noise annoyance, use of chemicals and personal protective equipment (“PPE”) management are also established to safeguard employees from various types of potential hazards.



# Environmental, Social & Governance Report *(Continued)*

## Hazards Identification, Prevention & Control

- Our Administrative Department is responsible for the identification and assessment of hazardous energy sources, whilst the Electrical and Mechanical Department manages and implements the corresponding control measures
- EHS Committee arranges monthly hazard assessment with relevant departments for all new production processes, machineries and substances before adoption
- All production units are required to provide suitable PPE to employees based on their job natures

## Safety Inspection & Performance Monitoring

- Our Safety Officer carries out monthly inspection in the factories to check the implementation of safety measures and workplace conditions
- EHS Committee holds bi-monthly EHS meetings to review inspection results and progress of corrective actions

## Emergency Preparedness

- Emergency contingency plans are in place for events such as chemical leakage, fire outbreaks, and natural disasters
- Emergency drills, such as fire drills and counter-terrorism exercises, are organised at least twice a year to prepare our staff for urgent situations

## Incidents Investigation & Corrective Actions

- We encourage employees to report any unsafe behaviours observed or incidents to the EHS Committee for further investigation
- All reported cases will be investigated and analysed by the Safety Officer before reporting to our Executive Manager
- Corrective actions will be taken to rectify the reported issues as well as preventing reoccurrence in the future

## Staff Training & Education

- All new joiners must attend and pass the three-levels (i.e. factory, department, and position levels) safety training before commencement of their work
- Refresh training with post training quizzes on various safety topics, such as machinery operation, fire safety, industrial safety, counter-terrorism, use of PPE, and emergency management, is provided to all level of staff on an annual basis
- All external service providers are required to attend and pass the safety training provided by our Safety Officer before performing their work within the Group's premises
- Every year, the Group organises a weekly campaign to promote the Occupational Disease Prevention Law to raise the employee awareness
- Safety posters and reminders are displayed in the workplace to remind our staff of safe production

## Environmental, Social & Governance Report *(Continued)*

We have formulated office condition management guidelines specifically for our office staff so that they can work comfortably without worrying about occupational diseases caused by poor posture and computer settings. In light of the growing concern about the culture of work-life balance, we have also established regular working hours and discouraged the practice of unnecessary working overtime.

In FY2021, there were no work-related fatalities and 504 lost days due to work injuries. The Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards in Hong Kong and Mainland China.

### Staff Development

The professional competency and personal growth of our employees are of utmost importance to the prosperity of the Group. Hence, we spare no efforts in talent development by adopting a vigorous and systematic approach to cultivate a continuous learning culture and ignite our employees' potential.

Annual training plans are formulated based on the Group's organisational direction, departmental needs, job requirements and employee needs. As shown in the chart below, our internal training programs are classified into two categories regarding the needs of the new joiners and existing employees. The training content for new joiners focuses on introduction of in-house rules and working conditions, whilst on-the-job training for existing employees focuses on the development of technical skills relating to their positions. After the training, employees are required to complete a training evaluation form to evaluate the usefulness of the training content and the helpfulness of the trainer. The results will then be analysed to enhance the effectiveness of each training program.

#### New Staff Orientation



- Company Overview
- Staff Responsibilities
- EHS Training
- Kader's Requirement on Environmental Protection, Product Quality etc.
- Mentoring Program

#### On-the-Job Training



- Personal Competencies
- Management Skills
- Legal Requirement Updates
- Customers Requirement and Industry-wide Standards (e.g. ISO requirements)

## Environmental, Social & Governance Report *(Continued)*

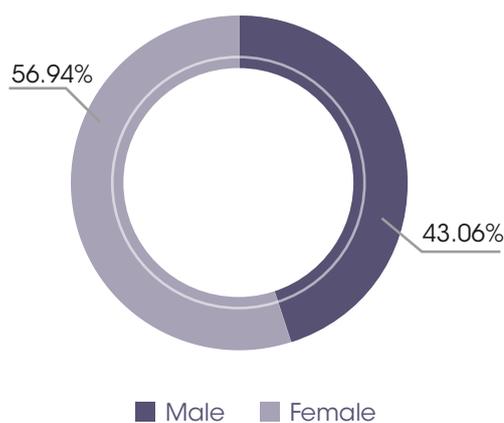
In addition to internal training, employees are also encouraged to participate in external training to enhance their competence and knowledge on latest market trends. The Group offers tuition fee sponsorship for suitable candidates to attend institutional training and external short courses.

The performance of individual employee is evaluated through ongoing evaluations and annual performance review by his/her direct supervisor or manager. During the annual performance review, staff is encouraged to discuss with his/her supervisor on career goal setting, training demands and difficulties encountered. Upon the evaluations and performance review, the supervisor or manager should identify employees' competencies and training needs, implement training activities and provide coaching and supervision to accelerate the personal development of the staff.

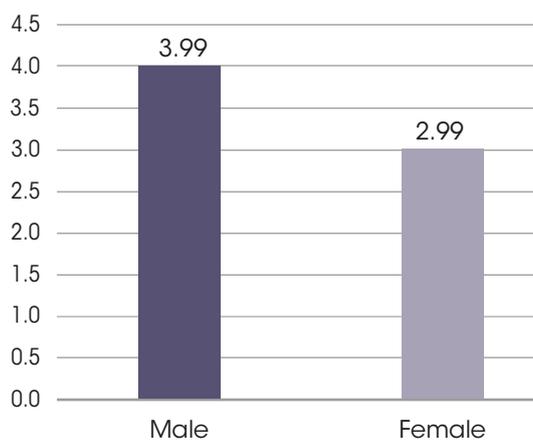
In FY2021, we arranged a total of 2,125 hours of training covering topics relating to occupational health and safety, ISO requirements, computer competencies, updated content of the Employee Handbook, and leadership enhancement to our employees. The staff training profile divided by gender and employee category is illustrated in the charts below:

### By Gender

Number of employee trained



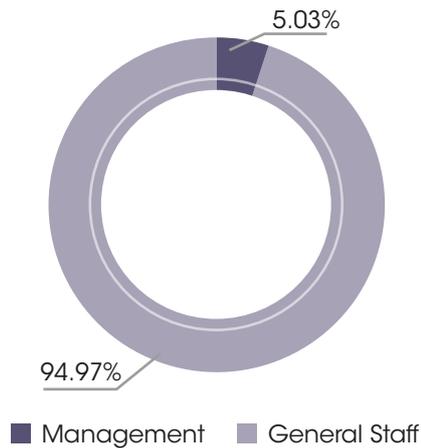
Average training hours



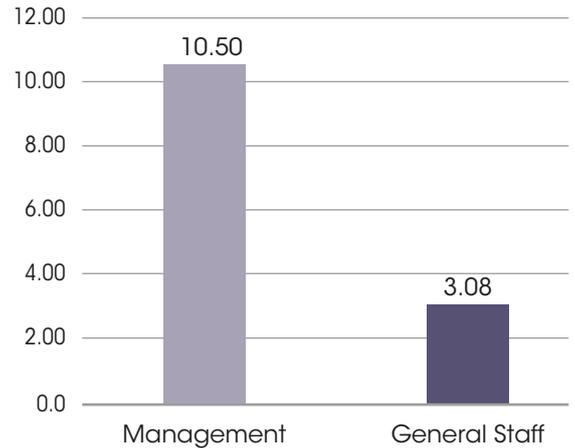
## Environmental, Social & Governance Report *(Continued)*

### By Employee Category

Number of employee trained



Average training hours



### Child & Forced Labour

Upholding the highest industrial standards in protecting human rights, the Group is committed to maintaining an ethical workplace. Our human resources management system is built on a foundation of zero tolerance to the adoption of child and forced labour. Any form of child and forced labour is strictly prohibited in any of our operations.

All job applicants have to undergo a thorough identity and background check to ensure they are of legal working age prior to the later stage of recruitment. Random identity inspection is also in place to make sure no child labour is adopted in our offices and factories. In case of discovering any child labour, relevant personnel is required to strictly follow the guidance of the Child & Juvenile Worker Protection Procedure to carry out prompt rectification and remediation, including sending the workers home and providing them with adequate educational support until they reach the legal working age.

To safeguard the rights of our employees, we have formulated the Anti-forced Labour Management Procedure to make sure all employees are treated with respect. Every employee is informed of his/her rights when signing employment contract and during induction training. For any coercion or unfair treatment experienced or observed, we encourage employees to make use of the grievance mechanism to report the cases for further investigations. Necessary disciplinary actions will be taken for the valid cases.

The Group's standards on anti-child and forced labour are also extended to our suppliers. If any child and/or forced labour is discovered, immediate remedial actions must be taken to address the issue. Failure to improve will lead to the termination of the business relationship.

# Environmental, Social & Governance Report *(Continued)*

## Relationship with Employees

Communication is the key when it comes to building close labour-management relations. Thus, a two-way communication approach is adopted to understand the needs and concerns of our employees. Multiple communication channels, including opinion box, staff satisfaction survey, performance review, meetings and company activities, are in place to facilitate opinion exchange between our management and employees.

To foster a harmonious workplace, we arranged festive gatherings to the employees in FY2021. Employees were able to spend quality and relaxed time with each other. The activities also provided opportunities for the management to have direct communications with general staff to understand their daily lives and needs at work.

## A RESPONSIBLE PRODUCER

### Business Conduct

Business integrity has been the core element of the Group's value. In order to become a legal, ethical and transparent business partner, we establish the Employee Handbook and CoC to regulate the behaviours of our employees as well as promoting the integrity culture within the Group. All forms of fraud, bribery, extortion, and money laundering are prohibited. Employees are expected not to solicit or receive any gifts, rewards or advantages from any person or secure an improper advantage, in order to remain objective when caring out their duties. Violating the CoC will be subject to disciplinary actions or even penalties imposed by relevant local authorities. The CoC is further extended to cover our suppliers and business partners.

The Group has set up a whistle-blowing system with clear processes and reporting channels for employees to report suspected cases. In case of any suspicious cases, employees are encouraged to report by letter or email anonymously or in person. All information about the reported cases and the identities of whistleblowers will be kept confidential.

In FY2021, orientation covering in-house anti-corruption practices was arranged to new joiners. For existing staff, they were required to sign a declaration letter with anti-corruption terms to demonstrate their commitments in upholding high level of business ethics. At the same time, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering, including but not limited to the Anti-Money Laundering Law and the Criminal Law of the PRC and the Prevention of Bribery Ordinance of Hong Kong. There was no legal case regarding corrupt practices brought against the Group or our employees.

## Environmental, Social & Governance Report *(Continued)*

### Stakeholder Privacy & Intellectual Property Rights Protection

The Group acknowledges the value of privacy to all individuals, including our customers, employees, and business partners. Adhering to our internal privacy policies, we have implemented the following initiatives to protect the stakeholders' privacy:

- Require all employees to sign a declaration letter to commit to using computer legally and prohibit the use of unlicensed software to prevent data leakage
- Implement proper document and record management system to make sure all sensitive information of the stakeholders are kept confidential and under protection
- Include the Group's privacy policies in the Employee Handbook to forbid unauthorised access and use of customers' data
- Provide training to our employees regarding privacy matters

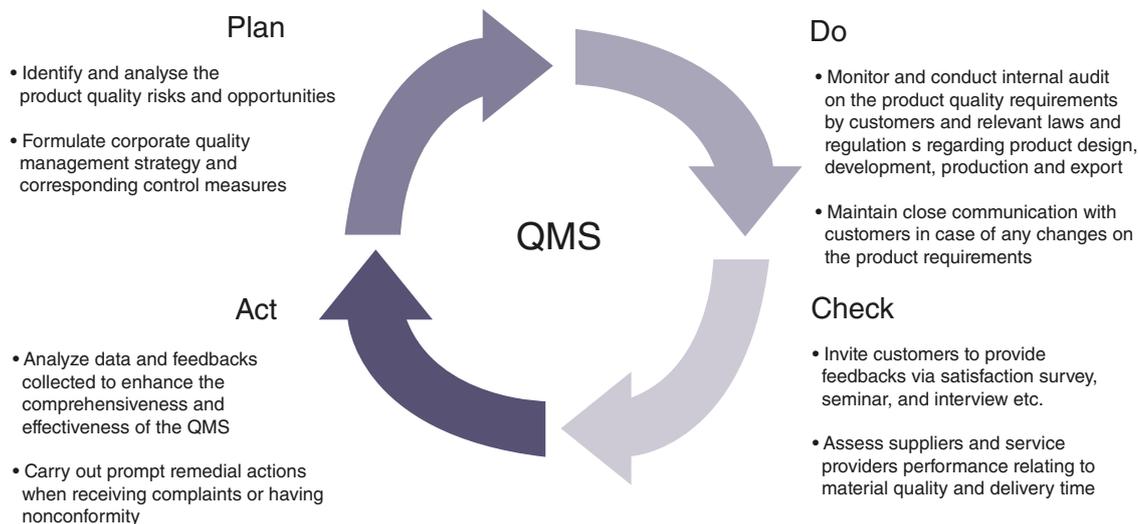
In addition to stakeholders' privacy, the Group also places emphasis on the protection of intellectual property ("IP") rights of creation owners. Employees are expected to protect and respect the IP rights of both internal and external parties by following the guidelines in the Intellectual Property Handbook. It is strictly forbidden to use any IP, including but not limited to invention, design, copyright work, and trade mark, of the Group or external parties without prior consent and approval. To enhance the employee awareness on IP rights protection, our IP Manager arranges relevant training to all level staff as well as overseeing the performance of each department. Any employee who breaches or fails to observe the in-house rules on privacy and IP rights protection are liable to summary dismissal, and the Company reserves the right to take appropriate actions.

In FY2021, the Group was not aware of any material non-compliance with laws and regulations relating to privacy matters and IP rights, including but not limited to the Personal Data (Privacy) Ordinance and the Copyright Ordinance in Hong Kong and the Patent Law of the PRC.

### Product Responsibility

The Group strives to maximise customer loyalty through quality products and on-time delivery. We, therefore, have developed the ISO 9001:2015 recognised Quality Management System ("QMS") to systemise and standardise the product quality control process. The Plan-Do-Check-Act principle is integrated into the QMS, supplementing with the Quality Handbook to provide guidance for relevant personnel and business units to identify, manage and mitigate quality management risks. The QMS is continuously improved in accordance with the industry and statutory standards and the Quality Assurance Manager is delegated with the overall responsibility to monitor the effectiveness of the QMS.

## Environmental, Social & Governance Report *(Continued)*



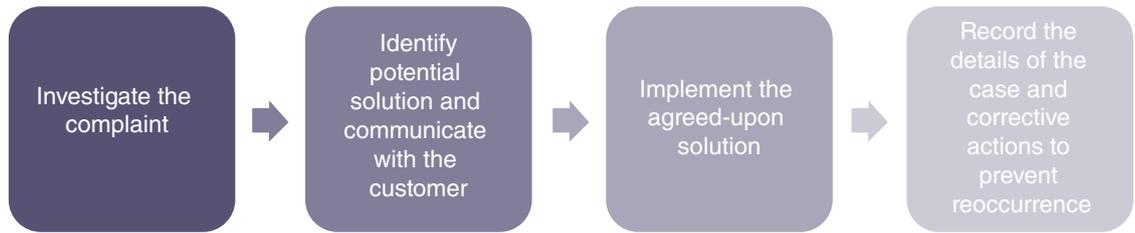
To make sure our products are safe for end-users, the Quality Assurance Manager and managers from the production units are responsible for carrying out product safety risk assessment for all raw and semi-finished materials used in the manufacturing process. Corresponding control measures, such as requiring supplier to provide valid material analysis report, are in place for materials with potential safety hazards to end-users. In an unfortunate event where any of our product is discovered to cause any severe safety or health hazard(s), we will immediately follow the instructions of the Product Recall Procedure to recall all distributed products and cease production. Further investigation will be conducted by the Quality Assurance Department to determine the root cause(s) and formulate improvement measures promptly to avoid any recurrence.

In addition, our marketing and advertising policy for goods and services reflects our commitment in quality management and CSR. Guided by our Product Labelling and Traceability Control Procedure, we maintain the truthfulness and fairness of every product at the highest level. Following the procedure, guidance on the use of our products is provided to our customers to prevent incidents caused by inappropriate use of the products.

In FY2021, there was no product recall due to safety or health concerns. At the same time, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising and labelling matters of products and services in Hong Kong and Mainland China.

The Group firmly believes that customer satisfaction plays a vital role within our business as well as acting as a key differentiator that enables us to thrive. All customers are welcomed to express their opinions and suggestions on our products and/or services through annual customer satisfaction survey, seminar, interview or direct contact with the sales representatives. All feedback collected will be studied and analysed before formulating improvement plans. If customers are feeling unsatisfied, the Quality Assurance Department and sales representatives will follow the guidance of the Customer Complaint Handling Procedure to develop suitable corrective action report to address the issue. In FY2021, there was no record of complaint received regarding our products and services.

## Environmental, Social & Governance Report *(Continued)*

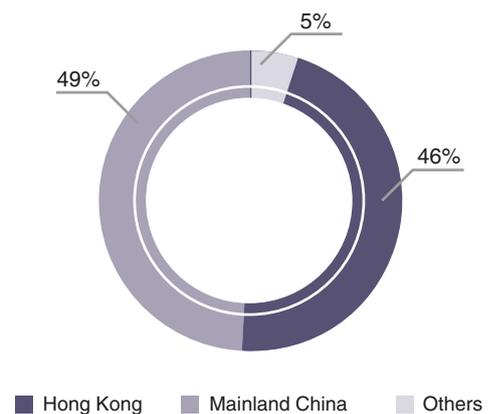


### Supply Chain Management

In FY2021, the Group worked with 105 suppliers with 49% from Mainland China, 46% from Hong Kong and 5% from other regions.

We understand that it is essential for our supply chain to align with our CSR commitments and thus we select our suppliers carefully. Guided by the Vendor Qualification and Vendor Control Procedure, all potential suppliers are requested to fill in the quality survey, provide compliance proof and submit testing reports or reference sample for evaluating purposes. Where necessary, we will arrange onsite inspections to verify their actual performance. Apart from product quality, we have imposed requirements on our suppliers in various ESG-related areas, including anti-corruption, occupational health and safety, product safety, labour standards and environmental protection. Only those who meet our requirements will be qualified on our approved supplier list. Supplier performance appraisal is also conducted regularly to assess their performance. If any non-conformity is found, corrective action will be requested. Failure to improve will lead to disqualification from the approved supplier list.

Suppliers by Geographical Region



In addition to managing the product/service quality of our suppliers and sub-contractors, the Group is committed to fostering a responsible supply chain via the adherence of the CSR system. When signing business contracts, we make sure the suppliers are fully aware of the requirements in terms of labour rights, occupational health and safety, environmental protection, and business ethics. The Vendor Qualification Team will perform annual performance appraisal for all vendors and sub-contractors as a means of supply chain management. Corrective action(s) will be taken for any discovery of non-conformity. Failure in improvement will result in disqualification and removal from the Approved Vendor List.

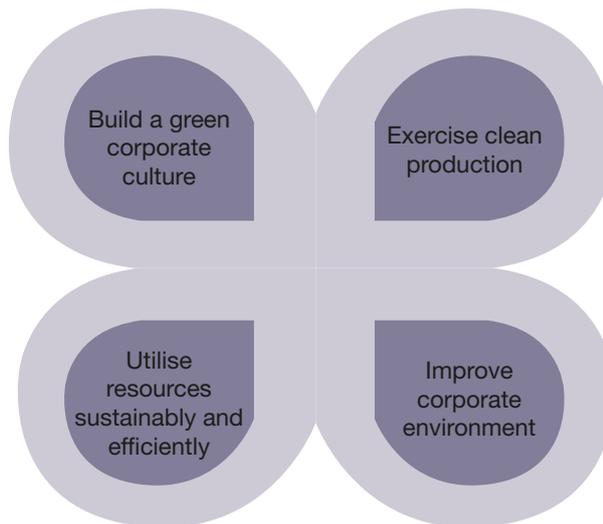
# Environmental, Social & Governance Report *(Continued)*

## Community Involvement

Being socially responsible is one of the key values of the Group. We constantly encourage employees to make contributions to the community where we locate and operate by proactively participating in volunteer work. The Group also supports the community development through various means, such as optimising the use of local suppliers, to give back to the local economy and community. Moving forward, the Group will continuously look for opportunities where we can leverage our expertise in the society.

## ENVIRONMENTAL SUSTAINABILITY

The Group strives to manage its environmental footprint through the establishment of a sound and comprehensive EHS Management System with four environmental objectives embedded. The system is supplemented with environmental policies regarding emissions control, use of resources, and workplace environment management, of which are formulated in accordance with industry standards, customer and relevant statutory environmental requirements.



The EHS Committee is responsible for carrying out monthly inspection and bi-monthly meetings to review the Group’s environmental performance as well as making sure the system is implemented properly in our factories. In FY2021, the Group developed a few key performance indicator (“KPI”) targets regarding greenhouse gas (“GHG”) emission, waste generation, use of energy and water to further enhance our environmental performance. The progress of the targets is monitored and reviewed by the ESG Committee at least twice a year and reported to the Board.

## Environmental, Social & Governance Report *(Continued)*

Aspect	Target
GHG emission	<p>Policy target:</p> <ul style="list-style-type: none"> <li>To reduce the frequency of transportation activities between the internal facilities in factory area</li> </ul> <p>By 2025:</p> <ul style="list-style-type: none"> <li>To reduce carbon emission intensity by 5% when compared with the baseline in FY2021</li> </ul>
Waste generation	<p>Canteen policy targets:</p> <ul style="list-style-type: none"> <li>To encourage reducing the use of disposable tableware, and ultimately eliminate all disposable tableware</li> <li>To reduce the use of single-use plastic water bottles by providing drinking water</li> <li>To promote reduction of food waste</li> </ul> <p>Policy targets on reducing paper consumption:</p> <ul style="list-style-type: none"> <li>To promote paper saving among employees</li> <li>To reduce the use of paper by adopting electronic data processing</li> <li>To print on both sides of paper for day-to-day document printing</li> </ul> <p>Policy targets on reducing general waste:</p> <ul style="list-style-type: none"> <li>To restructure the corporate waste management framework</li> <li>To set up waste sorting facilities so as to encourage recycling and reduce waste at source</li> </ul> <p>By 2025:</p> <ul style="list-style-type: none"> <li>To reduce non-hazardous waste intensity by 5% when compared with the baseline in FY2021</li> </ul>

## Environmental, Social & Governance Report *(Continued)*

Aspect	Target
Use of Energy	<p>Policy targets:</p> <ul style="list-style-type: none"> <li>• To provide training on energy management</li> <li>• To replace the explosion-proof tube light with LED or T8 tube light in all operation areas, and reduce the overall usage</li> <li>• To keep all equipment well-maintained</li> <li>• To reduce the use of high energy-consuming machinery</li> <li>• To change the electrical lighting circuit system from series to parallel in all operation area</li> <li>• To turn off air conditioners when the temperature is below 26°C</li> </ul> <p>By 2025:</p> <ul style="list-style-type: none"> <li>• To reduce energy consumption by 5% when compared with the baseline in FY2021</li> </ul>
Use of Water	<p>Policy targets:</p> <ul style="list-style-type: none"> <li>• To provide training to our staff on water efficiency</li> <li>• To monitor the water consumption usage monthly and repair the damaged water pipes to prevent water leakage</li> <li>• To provide maintenance to the main pipeline of the water supply</li> <li>• To replace all taps in the factory with water-efficient taps and use devices with water-efficient labels</li> <li>• To reduce the number of water taps in the operation area of the factory.</li> <li>• To remove all unnecessary water taps and pipes in the toilets</li> <li>• To provide water-saving equipment in the factory</li> </ul> <p>By 2025:</p> <ul style="list-style-type: none"> <li>• To reduce water consumption intensity by 10% when compared with the baseline in FY2021</li> </ul>

In FY2021, we were not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, generation of waste and use of resources in Hong Kong and Mainland China.

## Environmental, Social & Governance Report *(Continued)*

### **Air Emission Control**

The Group firmly abides by relevant laws and regulations that all of our productions are conducted under valid permits and approvals from local authorities. Air pollutant emission sources, such as production processes (i.e. plastic moulding, paint spraying, and welding) and staff kitchens, are all properly covered in the Exhaust Gas Pollution Management Procedure. The procedure clearly outlines the instructions regarding daily practice, equipment maintenance, and emission record keeping. For example, we conduct regular inspection on the effluent pipeline to prevent leakage of air pollutants. Employees are reminded to always seal the containers of volatile chemicals after usage.

Every year, we commission qualified third party to conduct air emission assessment to make sure the level of air pollutants in the emitted air complies with the statutory requirements. As stipulated in the procedure, all inspection findings are required to be recorded in the Effluent Inspection List for continuous improvement. Prompt rectification is required to be carried out by relevant production unit, if necessary.

### **Waste Management**

A proper waste management system can not only help minimise the Group's environmental impacts, but also optimise its resources efficiency. In view of that, the Group has established the Waste Management Procedure to provide guidance on the handling of wastes generated from our daily operations. All wastes are subject to initial segregation based on their natures (i.e. hazardous and non-hazardous) prior to further handing. Different strategies on collection, storage, transferal and disposal are developed for each type of waste and are discussed in the sub-sections below.

#### *Hazardous Waste*

The Group puts an emphasis on the management of hazardous waste given its harmful characteristics to the environment and natural resources. Designated storage areas are designed and installed in accordance with the statutory requirements. Suitable containers with proper labels are used to carry different types of hazardous waste, such as waste paint, waste engine oil, and waste oil rags, before collecting and handling by qualified service provider. The Group formulates the hazardous waste handling service contract with reference to the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, and the Regulations of Guangdong Province on the Prevention and Control of Environmental Pollution by Solid Waste to ensure all the collected hazardous waste is treated properly and legally by the service provider.

## Environmental, Social & Governance Report *(Continued)*

### *Non-hazardous Waste*

To divert useful materials from landfills, all non-hazardous waste are categorised into recyclables and non-recyclables. Employees are encouraged to reuse materials, such as waste paper and packaging, as many times as possible before recycling or disposal. For recyclables collected, they are properly labelled, stored in designated areas and collected by qualified recycling service providers. As for non-recyclables, they are handled by the relevant department of the local government on a daily basis.

### **Energy Efficiency & GHG Emissions Control**

When it comes to GHG emission control, the Group proactively takes up its responsibility in enhancing internal energy efficiency to accelerate the transformation to low-carbon economy. Our energy and GHG emissions management approach is summarised in the Energy Efficiency & GHG Emission Control Plan. All departments are required to strictly monitor their use of energy and GHG emissions in order to achieve the relevant targets. Meanwhile, employees are encouraged to follow the daily energy-saving practices, which are summarised below:

#### Electricity

- Utilize natural light when possible
- Replace conventional light bulbs/tubes with LED lightings
- Replace electricity-intensive machineries and electronic appliances with high electricity efficiency ones
- Install meters in each dormitory room and workshop to monitor the electricity consumption pattern

#### Towngas & Vehicle Fuels

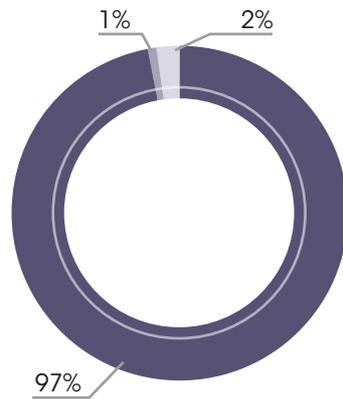
- Conduct regular inspection on company vehicles and gas pipeline to prevent leakage
- Provide maintenance to company vehicles and air compressors to increase vehicle fuels and towngas efficiency

To raise the employee awareness on this aspect, training regarding the best green practices is organised to our staff. In addition, we constantly brief them on our energy and GHG emissions targets to make sure everyone in the Group is well-acknowledged of the Group's standards and approach.

In FY2021, the main sources of our energy consumption were electricity, towngas and vehicle fuels. A total of 8,442.52 MWh of energy was consumed, with an intensity of 35.55 MWh/million HKD sales as at 31 December 2021. At the same time, the Group emitted a total of 6,230.22 tCO<sub>2</sub>e of GHG, with an intensity of 26.24 tCO<sub>2</sub>e/million HKD sales attributed to the use of electricity, towngas, vehicle fuels, and refrigerants. With the purpose to further reduce our energy consumption, we have decided to enhance the use of renewable energy in our Hong Kong operations. Our property in Hong Kong has installed solar panels on the roof, which can help us reduce 161,962 kg CO<sub>2</sub>e annually.

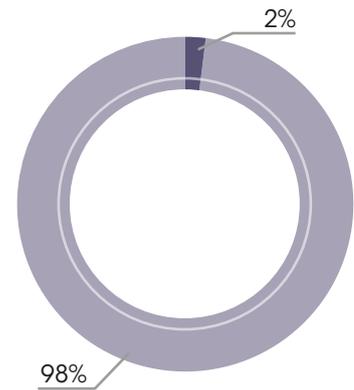
## Environmental, Social & Governance Report *(Continued)*

Energy Consumption



■ Electricity ■ Towngas ■ Unleaded petrol

GHG Emission



■ Scope 1 ■ Scope 2

### Use of Water Resources

Understanding how precious water resources are, the Group has included relevant management and water conservation practices in the Energy Conservation and Emission Reduction Management Procedure. The Administrative Department is responsible for the overall management of water facilities and water consumption records in the workplace. Meanwhile, water-saving initiatives are implemented in the workplace to encourage employees to consume water responsibly throughout our operational activities. Below are some of the examples:

#### Water Conservation

- Conduct inspection and provide maintenance for water facilities to prevent water leakage
- Place water-saving signs near water taps to remind employees
- Include in-house water conservation practices in employee training
- Recycle and reuse cooling water in the production processes after proper treatment

The Wastewater Management Procedure provides detailed guidelines on the handling of industrial and domestic wastewater. No industrial and kitchen wastewater is allowed to directly discharge into domestic sewer before treatment. Oil and grease traps are installed in the kitchen sinks to treat the domestic wastewater generated from the staff kitchens. The industrial wastewater is properly contained in special containers, which is collected by the entrusted licensed wastewater collector for further treatment. Every year, we hire a qualified external inspector to carry out wastewater monitoring to make sure all effluents are complied with the statutory requirements.

## Environmental, Social & Governance Report *(Continued)*

In FY2021, there was no issue in sourcing water. As at December 2021, the Group consumed 162,952.86 m<sup>3</sup> freshwater, with an intensity of 686.19 m<sup>3</sup>/million HKD sales. Approximately 95.9% of the water used was reused or recycled that only 6,628.85 m<sup>3</sup> wastewater was discharged, with an intensity of 27.91 m<sup>3</sup>/million HKD sales.

### **Use of Materials**

Our employees are always encouraged to participate in fostering a green office through daily practices, such as making use of double-sided printing, reusing single-side print-outs, using e-communication channels to avoid unnecessary printing and so on. For office supplies other than paper, we embrace the idea of reusing and recycling before disposing of. For example, we request our printer provider to reuse the empty toner cartridges instead of giving us brand new cartridges, if possible. We also thrive to optimise our way of packaging to minimise the amount of packaging materials consumption.

In FY2021, we consumed a total of 2.52 tonnes of paper at our offices and factories, with an intensity of 0.011 tonnes/million HKD sales. At the same time, a total of 136.96 tonnes of packaging materials were consumed, with an intensity of 0.58 tonnes/million HKD sales.

### **The Environment and Natural Resources**

Protecting the environment and natural resources has always been on the top of our agenda. The Group put an emphasis on managing the air pollutant and GHG emissions, wastewater discharge and waste generation of our manufacturing activities to mitigate our adverse environmental impacts. Apart from the abovementioned control measures, the Group has also adopted noise mitigation measures to control noise generated from our production machineries. Monthly noise level inspection and regular maintenance are in place to reduce nuisance to the surrounding as well as making sure that our operations are complied with the legal noise levels.

The EHS Committee holds EHS meeting periodically to review the Group's environmental performance and the implementation of the environmental protection measures. In case of any unpredictable events that will potentially cause influences to the environment, the Group has formulated emergency procedures to handle the incidents immediately.

### **Climate Change**

The Group recognises that the long-term risks of climate change have far-reaching impact on our operations and business environment. With the purpose to enhance our climate change resilience, we have adopted the following countermeasures to minimise those impacts.

## Climate Physical Risk

### Impacts

Based on the local climate and change of local climate pattern of the locations of the Company and its subsidiaries, the Group is likely to face significant impacts from flooding, typhoon and extreme temperature. Potential impacts from the extreme weather events include increased maintenance cost due to direct damages to the Group's operation facilities and properties located at low-lying and/or coastal regions, and increased medical-related cost due to deterioration of the working environment.

### Countermeasures

- We have appointed designated personnel to address the impacts of climate physical risk, such as to get us prepared for extreme weather conditions.
- We have provided training on the operation procedures to the staff to address the significant impacts from extreme weather conditions.
- We have performed regular checks and maintenance for all electricity, rainwater and drainage systems to ensure they function normally. Repairs will be carried out promptly if needed.
- We have deployed protection tools and devices to deal with the extreme weather conditions.
- We have taken precautionary measures to protect our property, such as relocating valuable materials to the upper floor of the factory to protect them from floods.

## Climate Transition Risk

### Impacts

Various countries have implemented regulations and requirements on climate disclosure and/or carbon emissions. With more countries committed to achieving carbon neutrality, it is foreseeable that the global regulatory system will become stricter on climate change issues, which may lead to increased energy cost, affecting the operations of the Group. In addition, when the industry is moving towards a low-carbon business operation, lagging behind the market or insufficient consideration may damage the corporate image and reputation of the Group.

### Countermeasures

- We made an effort to reduce GHG emission by:
  - Implementing energy saving proposals to reduce consumption of electricity and other types of energy; and
  - Monitoring the consumption of petrol and electricity.
- By performing scientific analysis on daily consumption of paper, disposable utensils and plastic bottles, we have reduced the generation of paper, plastic and general waste.
- We have implemented water saving proposal to reduce consumption of water.
- An EHS Committee has been established, which holds a meeting bi-monthly to discuss about the progress of the projects in reducing GHG emission, waste generation, electricity usage and water usage.

## Environmental, Social & Governance Report *(Continued)*

### PERFORMANCE DATA SUMMARY

	Unit	FY2021	FY2020	FY2019
<b>Total number of employees</b>	<b>number</b>	<b>707</b>	<b>760</b>	<b>1,005</b>
By gender				
Male	number	273	287	415
Female	number	434	473	590
By employment type				
Full-time	number	707	760	1,005
Part-time	number	0	0	0
By age				
<30 years old	number	66	74	143
30 – 50 years old	number	526	580	747
>50 years old	number	115	106	115
By geographical region				
Hong Kong	number	74	94	100
Mainland China	number	633	666	905
<b>Occupational health and safety performance</b>				
Number of work-related fatalities	number	0	0	0
Rate of work-related fatalities	percentage	0	0	0
Lost days due to work-related injury	days	504	42	86

## Environmental, Social & Governance Report *(Continued)*

	Unit	FY2021	FY2020	FY2019
<b>Training and development<sup>2</sup></b>				
Percentage of employees trained by gender <sup>3</sup>				
Male	percentage	43.06	44.90	52.88
Female	percentage	56.94	55.10	47.12
Percentage of employees trained by employee category <sup>3</sup>				
Management	percentage	5.03	1.63	0.99
General staff	percentage	94.97	98.37	99.01
Average training hours by gender <sup>4</sup>				
Male	hours	3.99	2.56	0.8
Female	hours	2.99	1.73	0.8
Average training hours by employee category <sup>4</sup>				
Management	hours	10.50	0.88	0.8
General staff	hours	3.08	2.06	0.8
<b>Total number of suppliers</b>	<b>number</b>	<b>105</b>	<b>165</b>	<b>147</b>
By geographical region				
Hong Kong	number	48	106	108
Mainland China	number	52	54	35
Others	number	5	5	4

2 The FY2019 and FY2020 data on training and development only cover the manufacturing facility and warehouse at Gao Bu.

3 The percentage calculation is done by dividing the number of trained employees in the specific category by the total number of trained employees.

4 The average training hours calculation method is dividing the number of training hours of employees in the specific category by the total number of employees in the specific category.

## Environmental, Social & Governance Report *(Continued)*

	Unit	FY2021	FY2020	FY2019
<b>Energy consumption<sup>5</sup></b>				
Direct energy consumption	MWh	138.07	123.76	247.33
– Unleaded petrol	MWh	138.07	123.76	241.89
– Diesel oil	MWh	0	0	5.44
Indirect energy consumption	MWh	8,304.45	8,428.47	10,767.85
– Purchased electricity	MWh	8,211.64	8,357.78	10,679.12
– Towngas	MWh	92.81	70.69	88.73
Total energy consumption	MWh	8,442.52	8,552.23	11,015.18
Intensity	MWh/million HKD sales	35.55	34.77	31.39
<b>Paper consumption</b>				
Office paper	tonnes	2.52	3.55	4.23
Intensity	tonnes/million HKD sales	0.011	0.014	0.012
<b>Packaging materials</b>				
Carton box	tonnes	90.18	244.85	554.18
Paper	tonnes	46.78	183.53	248.88
Total	tonnes	136.96	428.38	803.06
Intensity	tonnes/million HKD sales	0.58	1.74	2.29
<b>Waste generation</b>				
Hazardous waste				
– Chemical waste	tonnes	3.84	1.00	3.46
Intensity	tonnes/million HKD sales	0.016	0.004	0.01
Non-hazardous waste				
– Waste paper	tonnes	29.43	28.69	83.68
– Waste paper	tonnes	26.60	24.91	71.47
– Waste plastic	tonnes	2.83	3.78	12.21
Intensity	tonnes/million HKD sales	0.12	0.12	0.24

5 Our energy consumption is fixed operation usage for office and manufacturing facilities. The increase in energy intensity is mainly due to the decrease in sales.

## Environmental, Social & Governance Report *(Continued)*

	Unit	FY2021	FY2020	FY2019
<b>Water resources</b>				
Freshwater consumption	m <sup>3</sup>	162,952.86	127,316.00	128,916.00
Intensity	m <sup>3</sup> /million HKD sales	686.19 <sup>6</sup>	517.67 <sup>6</sup>	367.34
Wastewater discharge	m <sup>3</sup>	6,628.85	9,187.27	6,224.04
Intensity	m <sup>3</sup> /million HKD sales	27.91	37.36	17.74
<b>Greenhouse gas emissions<sup>7</sup></b>				
Scope 1 <sup>8</sup>	tCO <sub>2</sub> e	143.69	208.22	203.68
Scope 2 <sup>9</sup>	tCO <sub>2</sub> e	6,086.53	5,982.26	7,943.03
Total	tCO <sub>2</sub> e	6,230.22	6,190.48	8,146.71
Intensity	tCO <sub>2</sub> e/million HKD sales	26.24	25.17	23.21
<b>Air emissions<sup>10</sup></b>				
Nitrogen oxides	kg	7.01	7.03	20.22
Sulphur oxides	kg	0.23	0.20	0.41
Particulate matter	kg	0.42	0.44	1.48

6 The increase in water usage intensity is mainly due to the recovery of operation in FY2021 from the disruption caused by the COVID-19 pandemic, as well as extra consumption of water for cleaning and sanitation purposes.

7 The GHG emission is calculated based on the “How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs”, published by HKEx and international standards such as the GHG Protocol: A Corporate Accounting and Reporting Standard.

8 Scope 1 represents direct GHG emissions generated by the use of towngas, unleaded petrol and refrigerant.

9 Scope 2 represents energy indirect GHG emissions generated by the use of towngas and electricity.

10 Air emissions include the emissions generated by the use of towngas and vehicle fuels.

# Environmental, Social & Governance Report *(Continued)*

## • HKEX ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
<b>Aspect A: Environment</b>		
<b>A1 Emissions</b>	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NO<sub>x</sub>, SO<sub>x</sub>, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	<p>ENVIRONMENTAL SUSTAINABILITY</p> <p>– Air Emission Control, Waste Management, Energy Efficiency &amp; GHG Emissions Control, Use of Water Resources</p>
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	<p>ENVIRONMENTAL SUSTAINABILITY</p> <p>– Air Emission Control, Waste Management, Energy Efficiency &amp; GHG Emissions Control, Use of Water Resources</p> <p>PERFORMANCE DATA SUMMARY</p>
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<p>ENVIRONMENTAL SUSTAINABILITY</p> <p>– Energy Efficiency &amp; GHG Emissions Control</p> <p>PERFORMANCE DATA SUMMARY</p>

## Environmental, Social & Governance Report *(Continued)*

<b>HKEx ESG Reporting Guide General Disclosures &amp; KPIs</b>		<b>Explanation/ Reference Section</b>
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL SUSTAINABILITY – Waste Management  PERFORMANCE DATA SUMMARY
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL SUSTAINABILITY – Waste Management  PERFORMANCE DATA SUMMARY
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	ENVIRONMENTAL SUSTAINABILITY – Air Emission Control, Waste Management, Energy Efficiency & GHG Emissions Control, Use of Water Resources  PERFORMANCE DATA SUMMARY
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	ENVIRONMENTAL SUSTAINABILITY – Waste Management  PERFORMANCE DATA SUMMARY

## Environmental, Social & Governance Report *(Continued)*

<b>HKEx ESG Reporting Guide General Disclosures &amp; KPIs</b>		<b>Explanation/ Reference Section</b>
<b>A2 Use of Resources</b>	<p>Policies on efficient use of resources including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	<p>ENVIRONMENTAL SUSTAINABILITY – Energy Efficiency &amp; GHG Emissions Control, Use of Water Resources, Use of Materials</p>
<b>KPI A2.1</b>	<p>Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).</p>	<p>ENVIRONMENTAL SUSTAINABILITY – Energy Efficiency &amp; GHG Emissions Control</p> <p>PERFORMANCE DATA SUMMARY</p>
<b>KPI A2.2</b>	<p>Water consumption in total and intensity (e.g. per unit of production volume, per facility).</p>	<p>ENVIRONMENTAL SUSTAINABILITY – Use of Water Resources</p> <p>PERFORMANCE DATA SUMMARY</p>
<b>KPI A2.3</b>	<p>Description of energy use efficiency initiatives and results achieved.</p>	<p>ENVIRONMENTAL SUSTAINABILITY – Energy Efficiency &amp; GHG Emissions Control</p> <p>PERFORMANCE DATA SUMMARY</p>
<b>KPI A2.4</b>	<p>Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.</p>	<p>ENVIRONMENTAL SUSTAINABILITY – Use of Water Resources</p> <p>PERFORMANCE DATA SUMMARY</p>

# Environmental, Social & Governance Report *(Continued)*

<b>HKEx ESG Reporting Guide General Disclosures &amp; KPIs</b>		<b>Explanation/ Reference Section</b>
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	ENVIRONMENTAL SUSTAINABILITY – Use of Materials  PERFORMANCE DATA SUMMARY
<b>A3 The Environment and Natural Resources</b>	Policies on minimising the issuer’s significant impact on the environment and natural resources.	ENVIRONMENTAL SUSTAINABILITY – The Environment and Natural Resources
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	ENVIRONMENTAL SUSTAINABILITY – The Environment and Natural Resources
<b>A4 Climate Change</b>	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	ENVIRONMENTAL SUSTAINABILITY – Climate Change
<b>KPI A4.1</b>	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	ENVIRONMENTAL SUSTAINABILITY – Climate Change
<b>Aspect B: Social</b>		
<b>B1 Employment</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	A RESPONSIBLE EMPLOYER – Employment Practices

## Environmental, Social & Governance Report *(Continued)*

<u>HKEx ESG Reporting Guide General Disclosures &amp; KPIs</u>		<u>Explanation/ Reference Section</u>
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region.	A RESPONSIBLE EMPLOYER – Employment Practices  PERFORMANCE DATA SUMMARY
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region.	A RESPONSIBLE EMPLOYER – Employment Practices  PERFORMANCE DATA SUMMARY
<b>B2 Health and Safety</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	A RESPONSIBLE EMPLOYER – Occupational Health & Safety
<b>KPI B2.1</b>	Number and rate of work-related fatalities.	A RESPONSIBLE EMPLOYER – Occupational Health & Safety  PERFORMANCE DATA SUMMARY
<b>KPI B2.2</b>	Lost days due to work injury.	A RESPONSIBLE EMPLOYER – Occupational Health & Safety  PERFORMANCE DATA SUMMARY

# Environmental, Social & Governance Report *(Continued)*

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored.	A RESPONSIBLE EMPLOYER – Occupational Health & Safety  PERFORMANCE DATA SUMMARY
<b>B3 Development and Training</b>	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	A RESPONSIBLE EMPLOYER – Staff Development
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	A RESPONSIBLE EMPLOYER – Staff Development  PERFORMANCE DATA SUMMARY
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category.	A RESPONSIBLE EMPLOYER – Staff Development  PERFORMANCE DATA SUMMARY

## Environmental, Social & Governance Report *(Continued)*

<u>HKEx ESG Reporting Guide General Disclosures &amp; KPIs</u>		<u>Explanation/ Reference Section</u>
<b>B4 Labour Standards</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	A RESPONSIBLE EMPLOYER – Child & Forced Labour
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	A RESPONSIBLE EMPLOYER – Child & Forced Labour
<b>KPI B4.2</b>	Description of steps taken to eliminate such practices when discovered.	A RESPONSIBLE EMPLOYER – Child & Forced Labour
<b>B5 Supply Chain Management</b>	Policies on managing environmental and social risks of the supply chain.	A RESPONSIBLE EMPLOYER – Supply Chain Management
<b>KPI B5.1</b>	Number of suppliers by geographical region.	A RESPONSIBLE EMPLOYER – Supply Chain Management
		PERFORMANCE DATA SUMMARY
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	A RESPONSIBLE EMPLOYER – Supply Chain Management

## Environmental, Social & Governance Report *(Continued)*

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/ Reference Section
<b>KPI B5.3</b>	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	A RESPONSIBLE EMPLOYER – Supply Chain Management
<b>KPI B5.4</b>	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	A RESPONSIBLE EMPLOYER – Supply Chain Management
<b>B6 Product Responsibility</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	A RESPONSIBLE PRODUCER – Stakeholder Privacy & Intellectual Property Rights Protection, Product Responsibility
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	A RESPONSIBLE PRODUCER – Product Responsibility
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with.	A RESPONSIBLE PRODUCER – Product Responsibility
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	A RESPONSIBLE PRODUCER – Stakeholder Privacy & Intellectual Property Rights Protection

## Environmental, Social & Governance Report *(Continued)*

<u>HKEx ESG Reporting Guide General Disclosures &amp; KPIs</u>		<u>Explanation/ Reference Section</u>
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures.	A RESPONSIBLE PRODUCER – Product Responsibility
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored.	A RESPONSIBLE PRODUCER – Stakeholder Privacy & Intellectual Property Rights Protection
<b>B7 Anti-corruption</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	A RESPONSIBLE PRODUCER – Business Conduct
<b>KPI B7.1</b>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	A RESPONSIBLE PRODUCER – Business Conduct
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	A RESPONSIBLE PRODUCER – Business Conduct
<b>KPI B7.3</b>	Description of anti-corruption training provided to directors and staff.	A RESPONSIBLE PRODUCER – Business Conduct

## Environmental, Social & Governance Report *(Continued)*

<u>HKEx ESG Reporting Guide General Disclosures &amp; KPIs</u>		<u>Explanation/ Reference Section</u>
<b>B8 Community Investment</b>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	A RESPONSIBLE PRODUCER – Community Involvement
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	A RESPONSIBLE PRODUCER – Community Involvement
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area.	A RESPONSIBLE PRODUCER – Community Involvement
		In FY2021, the Group did not participate in volunteer work due to COVID-19 pandemic. However, we utilised the use of local suppliers as a means to contribute the community where we locate and operate.

# Independent Auditor's Report



**to the shareholders of Kader Holdings Company Limited**  
*(Incorporated in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of Kader Holdings Company Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 80 to 178, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (“the Code”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

# Independent Auditor's Report *(Continued)*

## KEY AUDIT MATTERS (CONTINUED)

### Valuation of investment properties

Refer to note 11 to the consolidated financial statements and note 1(g) to the accounting policies.

#### The Key Audit Matter

At 31 December 2021 the Group held investment properties, which comprised industrial buildings located in Hong Kong and the United Kingdom, with an aggregate fair value of HK\$2,060 million and accounted for 71% of the Group's total assets at that date.

The fair values of the investment properties at 31 December 2021 were assessed by the directors primarily based on independent valuation reports prepared by qualified external property valuers.

The net change in fair value of investment properties recorded in the consolidated statement of profit or loss amounted to HK\$44 million for the year ended 31 December 2021.

We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the change in the fair value of investment properties to the Group's profit for the year and because the valuation of investment properties can be inherently subjective and requires significant judgements and estimates, particularly in selecting the appropriate valuation methodology, capitalisation rates and market rents.

#### How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included the following:

- obtaining and inspecting the valuation reports prepared by external property valuers engaged by management and on which the directors' assessment of the fair value of investment properties was based;
- assessing the external property valuers' qualifications, experience and expertise in the locations and types of properties subject to valuation and considering their objectivity and independence;
- with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology with reference to the requirements of the prevailing accounting standards and challenging the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data and by utilising the industry knowledge and experience of our internal property valuation specialists for the investment properties located in Hong Kong; and
- comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis.

# Independent Auditor's Report *(Continued)*

## KEY AUDIT MATTERS (CONTINUED)

### Potential impairment of property, plant and equipment in the toys and model trains segment

Refer to note 11 to the consolidated financial statements and note 1(h) to the accounting policies.

#### The Key Audit Matter

The carrying value of the Group's other property, plant and equipment amounted to HK\$230 million at 31 December 2021. The Group's other property, plant and equipment principally comprised land and buildings together with plant and equipment used in the toys and model trains segment of the Group.

Given the global economic conditions and market competition in the toys and model trains sector, management considered that there is a risk that the carrying value of these assets may not be fully recoverable through future cash flows to be generated from operations or from their disposal and determined that an impairment assessment of these assets was required.

The recoverable amount of property, plant and equipment relating to the toys and model trains segment is determined by management based on the value in use of these assets. Management prepared a discounted cash flow forecast, taking into consideration subjective factors such as the discount rate, future revenue, future margins and future cost growth rates. The net present value of the cash flow forecast was compared with the carrying value of the cash generating unit ("CGU") to which the relevant property, plant and equipment was allocated to determine whether any impairment loss should be recognised.

We identified the potential impairment of property, plant and equipment in the toys and model trains segment of the Group as a key audit matter because determining the level of impairment, if any, involves a significant degree of management judgement, particularly in forecasting future cash flows and in determining the discount rate applied in the impairment assessment, both of which are inherently uncertain and could be subject to management bias.

#### How the matter was addressed in our audit

Our audit procedures to assess potential impairment of property, plant and equipment in the toys and model trains segment included the following:

- evaluating management's identification of the CGU which comprised the toys and model trains segment and the allocation of assets to that CGU;
- with the assistance of our internal valuation specialists, assessing the methodology adopted in the preparation of the discounted cash flow forecast by management, with reference to the requirements of the prevailing accounting standards, and whether the discount rate adopted in the discounted cash flow forecast was within the normal range of those of comparable entities;
- comparing the most significant inputs used in the discounted cash flow forecast, including future revenue and future margins to the historical performance of the CGU and publicly available information, taking into account recent developments in the toys and model trains sector, the Group's future business plans and the financial budget which was approved by the directors;
- comparing the relevant revenue and operating costs included in the discounted cash flow forecast prepared by management in the prior year with the current year's actual performance to assess the accuracy of the prior year's forecast and making enquiries of management as to the reasons for any significant variations identified; and
- obtaining from management sensitivity analyses of both revenue and the discount rate and assessing the impact of changes in these key assumptions on the conclusions reached in the impairment assessment and whether there were any indicators of management bias.

## Independent Auditor's Report *(Continued)*

### INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## Independent Auditor's Report *(Continued)*

### 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 HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Independent Auditor's Report *(Continued)*

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sylvene Fong.

#### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

30 March 2022

## Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	3, 10	<b>397,330</b>	372,293
Other revenue and other net (loss)/income	4	<b>11,140</b>	29,133
Changes in inventories of finished goods and work in progress		<b>11,957</b>	(32,843)
Cost of purchase of finished goods		<b>(58,358)</b>	(36,243)
Raw materials and consumables used		<b>(20,210)</b>	(28,039)
Staff costs	5(b)	<b>(165,831)</b>	(158,256)
Depreciation	11	<b>(37,952)</b>	(33,618)
Other operating expenses	5(c)	<b>(115,275)</b>	(123,694)
<b>Profit/(loss) from operations</b>		<b>22,801</b>	(11,267)
Finance costs	5(a)	<b>(7,084)</b>	(9,865)
Share of profits less losses of associates	14	<b>(1,202)</b>	(41,851)
Impairment loss of loans to an associate		<b>(4,640)</b>	(4,169)
Surplus/(deficit) on revaluation of investment properties	11	<b>44,188</b>	(43,059)
<b>Profit/(loss) before taxation</b>	5	<b>54,063</b>	(110,211)
Income tax (expense)/credit	6	<b>(7,135)</b>	715
<b>Profit/(loss) for the year</b>		<b>46,928</b>	(109,496)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>45,942</b>	(110,366)
Non-controlling interests		<b>986</b>	870
<b>Profit/(loss) for the year</b>		<b>46,928</b>	(109,496)
<b>Earnings/(loss) per share</b>	9		
Basic		<b>4.83¢</b>	(11.61)¢
Diluted		<b>4.83¢</b>	(11.61)¢

The notes on pages 87 to 178 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 27(b).

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	2021 HK\$'000	2020 HK\$'000
<b>Profit/(loss) for the year</b>	<b>46,928</b>	<b>(109,496)</b>
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK\$Nil tax	(2,339)	(1,018)
Surplus on revaluation of land and buildings held for own use upon change of use to investment properties, net of HK\$Nil tax	19,388	—
<b>Total comprehensive income for the year</b>	<b><u>63,977</u></b>	<b><u>(110,514)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	62,853	(111,610)
Non-controlling interests	1,124	1,096
<b>Total comprehensive income for the year</b>	<b><u>63,977</u></b>	<b><u>(110,514)</u></b>

The notes on pages 87 to 178 form part of these financial statements.

# Consolidated Statement of Financial Position

At 31 December 2021

(Expressed in Hong Kong dollars)

		At 31 December 2021 HK\$'000	At 31 December 2020 HK\$'000
	Note		
<b>Non-current assets</b>			
Investment properties	11	2,059,744	1,985,510
Other property, plant and equipment	11	<u>230,106</u>	<u>211,412</u>
		<b>2,289,850</b>	2,196,922
Intangible assets	12	385	419
Interest in associates	14	65,044	55,372
Other financial assets	16	45,545	41,499
Deposits and prepayments	15	22,447	8,855
Deferred tax assets	24(b)	<u>8,039</u>	<u>6,272</u>
		<b>2,431,310</b>	2,309,339
<b>Current assets</b>			
Other financial assets	16	–	5,000
Trading securities	17	13,224	14,047
Inventories	18(a)	221,269	202,633
Current tax recoverable	24(a)	358	208
Loans to an associate	14	41,306	39,699
Trade and other receivables	19	103,739	110,712
Cash and cash equivalents	20(a)	<u>88,050</u>	<u>88,964</u>
		<b>467,946</b>	461,263
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	21	140,913	126,969
Bank loans	22	361,722	324,351
Lease liabilities	23	8,748	9,229
Current tax payable	24(a)	<u>39,538</u>	<u>35,697</u>
		<b>550,921</b>	496,246
<b>Net current liabilities</b>		<b>(82,975)</b>	(34,983)

# Consolidated Statement of Financial Position *(Continued)*

At 31 December 2021

(Expressed in Hong Kong dollars)

		At 31 December 2021 HK\$'000	At 31 December 2020 HK\$'000
<b>Total assets less current liabilities</b>		<u>2,348,335</u>	<u>2,274,356</u>
<b>Non-current liabilities</b>			
Bank loan	22	14,068	–
Lease liabilities	23	35,710	45,093
Rental deposits	25	3,623	3,623
Deferred tax liabilities	24(b)	25,402	20,067
Accrued employee benefits	26	–	18
		<u>78,803</u>	<u>68,801</u>
<b>NET ASSETS</b>		<u><b>2,269,532</b></u>	<u><b>2,205,555</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	27(c)	95,059	95,059
Reserves		<u>2,169,527</u>	<u>2,106,674</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,264,586</b>	2,201,733
<b>Non-controlling interests</b>		<u>4,946</u>	<u>3,822</u>
<b>TOTAL EQUITY</b>		<u><b>2,269,532</b></u>	<u><b>2,205,555</b></u>

Approved and authorised for issue by the Board of Directors on 30 March 2022

**Kenneth Ting Woo-shou**  
Director

**Nancy Ting Wang Wan-sun**  
Director

The notes on pages 87 to 178 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Capital reserve	Contributed surplus	Exchange reserve	Land and buildings revaluation reserve	Retained profits	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2020</b>	95,059	185,138	10,815	173,397	(21,500)	62,667	1,807,767	2,313,343	2,726	2,316,069
<b>Changes in equity for 2020:</b>										
Loss for the year	-	-	-	-	-	-	(110,366)	(110,366)	870	(109,496)
Other comprehensive income	-	-	-	-	(1,244)	-	-	(1,244)	226	(1,018)
Total comprehensive income	-	-	-	-	(1,244)	-	(110,366)	(111,610)	1,096	(110,514)
<b>Balance at 31 December 2020 and 1 January 2021</b>	95,059	185,138	10,815	173,397	(22,744)	62,667	1,697,401	2,201,733	3,822	2,205,555
<b>Changes in equity for 2021:</b>										
Profit for the year	-	-	-	-	-	-	45,942	45,942	986	46,928
Other comprehensive income	-	-	-	-	(2,477)	19,388	-	16,911	138	17,049
Total comprehensive income	-	-	-	-	(2,477)	19,388	45,942	62,853	1,124	63,977
<b>Balance at 31 December 2021</b>	<u>95,059</u>	<u>185,138</u>	<u>10,815</u>	<u>173,397</u>	<u>(25,221)</u>	<u>82,055</u>	<u>1,743,343</u>	<u>2,264,586</u>	<u>4,946</u>	<u>2,269,532</u>

The notes on pages 87 to 178 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
<b>Operating activities</b>			
Cash generated from operations	20(b)	56,208	77,565
Tax paid:			
Hong Kong Profits Tax paid		(54)	(563)
Hong Kong Profits Tax refunded		208	21,072
Tax outside Hong Kong paid		(690)	(205)
Tax outside Hong Kong refunded		64	–
		<u>55,736</u>	<u>97,869</u>
<b>Net cash generated from operating activities</b>		<b>55,736</b>	<b>97,869</b>
<b>Investing activities</b>			
Payment for the purchase of other property, plant and equipment		(69,305)	(59,397)
Proceeds from sale of other property, plant and equipment		421	53
Payment for the purchase of intangible assets		–	(87)
Increase in non-current deposits and prepayments		(13,592)	(6,827)
Payment for purchase of other financial assets		(6,245)	(15,567)
Proceeds from sale of other financial assets		1,180	–
Payment for purchase of trading securities		(20,790)	(16,197)
Proceeds from sale of trading securities		17,027	13,777
Proceeds from sale of other financial assets at amortised costs		5,000	–
Interest received		3,149	3,050
Capital injection to an associate		(1,171)	–
Increase in amounts due from associates		(5,894)	(8)
Loans advanced to an associate		(6,247)	(20,159)
		<u>(96,467)</u>	<u>(101,362)</u>
<b>Net cash used in investing activities</b>		<b>(96,467)</b>	<b>(101,362)</b>

## Consolidated Cash Flow Statement *(Continued)*

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
<b>Financing activities</b>			
Capital element of lease rentals paid	20(c)	(8,913)	(8,641)
Interest element of lease rentals paid	20(c)	(1,969)	(2,260)
Proceeds from new bank loans	20(c)	624,829	592,633
Repayment of bank loans	20(c)	(568,655)	(592,015)
Other borrowing costs paid	20(c)	(5,115)	(7,605)
<b>Net cash generated from/(used in) financing activities</b>		<b>40,177</b>	<b>(17,888)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(554)</b>	<b>(21,381)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>88,964</b>	<b>107,978</b>
<b>Effect of foreign exchange rate changes</b>		<b>(360)</b>	<b>2,367</b>
<b>Cash and cash equivalents at 31 December</b>	20(a)	<b>88,050</b>	<b>88,964</b>

The notes on pages 87 to 178 form part of these financial statements.

# Notes to the Financial Statements

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see note 1(g)); and
- debt and equity investments (see note 1(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(b) Basis of preparation of the financial statements *(continued)***

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.

The Group recorded net current liabilities of HK\$82,975,000 (2020: HK\$34,983,000). Despite the net current liabilities as at 31 December 2021, the Group's cash and cash equivalents amounted to HK\$88,050,000 (2020: HK\$88,964,000) on the same day and the Group recorded net cash generated from operating activities of HK\$55,736,000 (2020: HK\$97,869,000) during the year ended 31 December 2021. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 31 December 2021 and the unutilised banking facilities of HK\$414,949,000 (2020: HK\$418,662,000), the directors are of the opinion that anticipated cash flows generated from the Group's operations can strengthen the Group's financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2021. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

#### **(c) Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(c) Subsidiaries and non-controlling interests *(continued)***

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

In the Company's statement of financial position, an interest in a subsidiary is stated at cost less any impairment losses (see note 1(k)(ii)).

### **(d) Associates**

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable) (see note 1(k)(i)).

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(d) Associates** *(continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(k)(ii)).

#### **(e) Goodwill**

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(f) Other investments in debt and equity securities**

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(f). These investments are subsequently accounted for as follows, depending on their classification.

#### *(i) Investment other than equity investments*

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(iii)).
- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(f) Other investments in debt and equity securities *(continued)***

##### *(ii) Equity investments*

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

#### **(g) Investment properties**

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(u)(ii).

#### **(h) Other property, plant and equipment**

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)):

- ownership interests in land and buildings held for own use;
- other properties leased for own use (see note 1(j)); and
- other items of plant and equipment, including right-of-use assets arising from leases of underlying equipment (see note 1(j)).

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (h) Other property, plant and equipment *(continued)*

If ownership interests in land and buildings held for own use becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at that date of transfer is recognised in profit or loss and other comprehensive income and accumulated in land and buildings revaluation reserve. On subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write-off the cost or valuation of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- (i) Ownership interests in land and buildings held for own use and other properties leased for own use are depreciated over the unexpired term of lease.
- (ii) Freehold land is not depreciated.
- (iii) Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after date of completion.
- (iv) Other items of plant and equipment, including right-of-use assets arising from leases of underlying equipment, are at the following rates:

Plant and machinery	20% to 25% per annum
Furniture and fixtures	20% to 25% per annum
Moulds and tools	10% to 30% per annum
Motor vehicles and pleasure craft	10% to 30% per annum

Where parts of an item of other property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)(ii)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Club memberships	20 years
– Licensing rights	3 to 5 years

Both the period and method of amortisation are reviewed annually.

#### (j) Leased assets

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

##### (i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

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

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(j) Leased assets** *(continued)*

#### *(i) As a lessee (continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(k)(ii)), except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(g).

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(j) Leased assets *(continued)***

##### *(ii) As a lessor*

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

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(u)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

#### **(k) Credit losses and impairment of assets**

##### *(i) Credit losses from financial instruments*

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to an associate).

Financial assets measured at fair value are not subject to the ECL assessment.

##### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(k) Credit losses and impairment of assets** *(continued)*

#### *(i) Credit losses from financial instruments (continued)*

##### Measurement of ECLs *(continued)*

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease-receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loans to an associate), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(k) Credit losses and impairment of assets *(continued)***

##### *(i) Credit losses from financial instruments (continued)*

###### Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling) for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(k) Credit losses and impairment of assets** *(continued)*

#### *(i) Credit losses from financial instruments (continued)*

##### Basis of calculation of interest income

Interest income recognised in accordance with note 1(u)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. 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 a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(k) Credit losses and impairment of assets *(continued)***

##### *(i) Credit losses from financial instruments (continued)*

###### Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract 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.

##### *(ii) Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets (other than investment property carried at revalued amounts);
- intangible assets;
- goodwill;
- interest in associates; and
- interest in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(k) Credit losses and impairment of assets** *(continued)*

#### *(ii) Impairment of other assets (continued)*

##### – Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

##### – Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

##### – Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### *(iii) Interim financial reporting and impairment*

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(l) Inventories**

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **(m) 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.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(k)(i)).

Insurance reimbursement is recognised and measured in accordance with note 1(t).

#### **(n) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(k)(i).

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(o) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, using the effective interest method.

### **(p) Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

### **(q) Contract liabilities**

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(u)(i)). 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 (see note 1(m)).

### **(r) Employee benefits**

#### *(i) Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### *(ii) Termination benefits*

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

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(s) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in profit or loss and other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in profit or loss and other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to interest in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(s) Income tax** *(continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(t) Provisions and contingent liabilities**

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

#### **(u) Revenue and other income**

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

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

Further details of the Group's revenue and other income recognition policies are as follows:

##### *(i) Sale of goods*

Revenue is recognised when the customer takes possession of and accepts the products. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(u) Revenue and other income** *(continued)*

#### *(ii) Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

#### *(iii) Interest income*

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(k)(i)).

#### *(iv) Air-conditioning, management and maintenance service charges from tenants*

Air-conditioning, management and maintenance service charges from tenants are recognised when the related services are rendered.

#### *(v) Material charges*

Material charges are recognised when the right to receive payment is established.

#### *(vi) Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(v) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in profit or loss and other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

#### **(w) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

# Notes to the Financial Statements *(Continued)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(x) Related parties**

- (1) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (1).
  - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

## Notes to the Financial Statements *(Continued)*

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(y) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's 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.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendment to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## Notes to the Financial Statements (Continued)

### 3 REVENUE

The principal activities of the Group are the manufacture and sale of plastic, electronic and stuffed toys and model trains, property investment and investment holding.

Disaggregation of revenue from contracts with customers by significant category of revenue is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
– Sales of goods	<b>346,630</b>	327,982
<b>Revenue from other sources</b>		
– Gross rentals from investment properties that the lease payments are fixed	<u>50,700</u>	<u>44,311</u>
	<b><u>397,330</u></b>	<b><u>372,293</u></b>

Revenue from the sales of goods is recognised at the point in time when control of the goods is transferred to the customers.

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 10(c).

The Group's customer base is diversified and includes one (2020: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2021, revenue from sales of toys and model trains to this customer (2020: one), including sales to entities which are known to the Group to be under common control of this customer, amounted to approximately HK\$45,765,000 (2020: HK\$56,748,000) and arose in the North America (2020: North America) geographical region in which the toys and model trains division is active. Details of concentrations of credit risk arising from this customer are set out in note 28(a).

Further details regarding the Group's principal activities are disclosed in note 10 to these financial statements.

## Notes to the Financial Statements (Continued)

### 4 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2021 HK\$'000	2020 HK\$'000
<b>Other revenue</b>		
Interest income from loans to an associate	2,789	2,609
Other interest income	360	441
Air conditioning, management and maintenance service charges from tenants	5,590	5,290
Gain on lease modifications	402	255
Loan forgiveness (note (i))	4,735	–
Government grants (note (ii))	–	5,696
Material charges	722	817
Sundry income	3,799	3,366
	<u>18,397</u>	<u>18,474</u>
<b>Other net (loss)/income</b>		
Net (loss)/gain on disposal of other property, plant and equipment	(694)	38
Net exchange (loss)/gain	(1,635)	6,187
Net realised and unrealised (loss)/gain on trading securities	(4,014)	3,597
Net realised and unrealised (loss)/gain on other financial assets	(914)	837
	<u>(7,257)</u>	<u>10,659</u>
	<u><u>11,140</u></u>	<u><u>29,133</u></u>

- (i) In 2020, the Group received loan proceeds of HK\$4,735,000 under the Paycheck Protection Program (“PPP”) set up by the United States Government, which was established as part of the Coronavirus Aid, Relief and Economic Security Act to provide loans to qualifying businesses. The PPP loan was forgivable as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. In 2021, the PPP loan amounts were fully forgiven.
- (ii) In 2020, the Group successfully applied for funding support both from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region (“the HKSAR”) and the Coronavirus Job Retention Scheme, set up by the United Kingdom Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. No funding support was granted in 2021.

## Notes to the Financial Statements (Continued)

### 5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2021 HK\$'000	2020 HK\$'000
<b>(a) Finance costs</b>		
Interest on bank loans and other borrowings (note 20(c))	5,115	7,605
Interest on lease liabilities (note 20(c))	1,969	2,260
	<u>7,084</u>	<u>9,865</u>
<b>(b) Staff costs</b>		
Salaries, wages and other benefits	149,420	144,851
Employer's contributions to defined contribution retirement plans	16,411	13,405
	<u>165,831</u>	<u>158,256</u>
<b>(c) Other operating expenses</b>		
Other operating expenses for the year included:		
Amortisation of intangible assets (note 12)	34	34
Addition of impairment losses of		
– other property, plant and equipment (note 11)	–	19,137
– trade receivables (note 28(a))	231	77
– other receivables	–	394
Auditors' remuneration		
– audit services	5,045	4,830
– tax services	180	45
Advertising and promotion	7,559	7,832
Building management and security service fee	4,472	4,060
Entertainment	2,683	2,026
Fuel, electricity and water	9,577	9,023
Government rent and rates	2,010	2,396
Insurance	4,182	3,986
Legal and professional fee	5,375	5,521
Office supplies	1,334	941
Operating lease charges	39	778
Postage, telephone and fax	2,370	2,263
Product testing fee	740	997
Repair and maintenance	5,711	11,129
Research and development	1,007	964
Royalties, commission and sales service fee	9,704	9,688
Subcontracting fee	28,009	17,033
Subscription fee	1,011	–
Tools and consumables	1,918	1,678
Transportation and travelling	12,069	9,492

## Notes to the Financial Statements *(Continued)*

### 5 PROFIT/(LOSS) BEFORE TAXATION *(continued)*

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>(d) Other items</b>		
Depreciation <i>(note 11)</i>		
– owned assets	<b>26,573</b>	22,163
– right-of-use assets	<b>11,379</b>	11,455
Cost of inventories <i>(note 18(b))</i>	<b>205,999</b>	223,595
Rental receivable from investment properties		
less direct outgoings of HK\$5,450,000 (2020: HK\$5,316,000)	<b>(45,250)</b>	(38,995)

Cost of inventories includes HK\$81,936,000 (2020: HK\$81,827,000) relating to staff costs, depreciation charges, impairment loss in respect of other property, plant and equipment and lease expenses, which amount is also included in the respective total amounts disclosed separately above and in the consolidated statement of profit or loss for each of these types of expenses.

## Notes to the Financial Statements *(Continued)*

### 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

**(a) Taxation in the consolidated statement of profit or loss represents:**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	2,035	42
Under/(over)-provision in respect of prior years	<u>15</u>	<u>(20)</u>
	----- 2,050	----- 22
<b>Current tax – Outside Hong Kong</b>		
Provision for the year	1,289	145
Under/(over)-provision in respect of prior years	<u>118</u>	<u>(19)</u>
	----- 1,407	----- 126
<b>Deferred tax (note 24(b))</b>		
Origination and reversal of temporary differences	<u>3,678</u>	<u>(863)</u>
	<u><u>7,135</u></u>	<u><u>(715)</u></u>

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year.

The Corporate Income Tax (“CIT”) rate applicable to subsidiaries registered in the People’s Republic of China (“PRC”) is 25% (2020: 25%).

The Corporation tax rates applicable to the Group’s operations in the United Kingdom (the “UK”) and the United States (the “US”) are 19% (2020: 19%) and 21% (2020: 21%) respectively.

Taxation for other subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

## Notes to the Financial Statements *(Continued)*

### 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

#### (b) Reconciliation between tax expense/(credit) and accounting profit/(loss) at applicable tax rates:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) before taxation	<u>54,063</u>	<u>(110,211)</u>
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	8,221	(6,122)
Tax effect of non-deductible expenses	7,985	13,921
Tax effect of non-taxable income	(9,932)	(9,850)
Tax effect of previously unrecognised tax losses utilised	(1,111)	(423)
Tax effect of unused tax losses not recognised	566	1,638
Tax effect of other temporary difference not recognised	311	63
Under-provision/(over-provision) in prior years	133	(39)
Others	<u>962</u>	<u>97</u>
Actual tax expense/(credit)	<u>7,135</u>	<u>(715)</u>

## Notes to the Financial Statements (Continued)

### 7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2021				
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Kenneth Ting Woo-shou	100	600	–	60	760
Nancy Ting Wang Wan-sun	80	–	–	–	80
Ivan Ting Tien-li	80	1,501	–	158	1,739
Lao Wai-keung (appointed on 1 July 2021)	30	600	–	45	675
Non-executive director:					
Bernie Ting Wai-cheung	80	–	–	–	80
Independent non-executive directors:					
Floyd Chan Tsoi-yin	120	–	–	–	120
Andrew Yao Cho-fai	120	–	–	–	120
Desmond Chum Kwan-yue	120	–	–	–	120
Sabrina Chao Sih-ming	90	–	–	–	90
	<b>820</b>	<b>2,701</b>	<b>–</b>	<b>263</b>	<b>3,784</b>

## Notes to the Financial Statements (Continued)

## 7 DIRECTORS' EMOLUMENTS (continued)

	2020				Total HK\$'000
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	
Executive directors:					
Kenneth Ting Woo-shou	100	600	–	60	760
Nancy Ting Wang Wan-sun	80	–	–	–	80
Ivan Ting Tien-li	70	1,500	–	150	1,720
Non-executive director:					
Bernie Ting Wai-cheung	80	–	–	–	80
Independent non-executive directors:					
Floyd Chan Tsoi-yin	120	–	–	–	120
Andrew Yao Cho-fai	120	–	–	–	120
Desmond Chum Kwan-yue	120	–	–	–	120
Sabrina Chao Sih-ming	90	–	–	–	90
	<u>780</u>	<u>2,100</u>	<u>–</u>	<u>210</u>	<u>3,090</u>

## Notes to the Financial Statements (Continued)

### 8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2020: one) is director whose emolument is set out in note 7. The aggregate of the emoluments in respect of the other four (2020: four) individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other emoluments	6,685	7,859
Retirement scheme contributions	<u>28</u>	<u>36</u>
	<u><u>6,713</u></u>	<u><u>7,895</u></u>

The emoluments of the four (2020: four) individuals with the highest emoluments are within the following bands:

	2021 Number of individuals	2020 Number of individuals
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	2	2
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	<u>–</u>	<u>1</u>

### 9 EARNINGS/(LOSS) PER SHARE

#### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of HK\$45,942,000 (2020: loss of HK\$110,366,000) and the weighted average of 950,588,000 ordinary shares (2020: 950,588,000 ordinary shares) in issue during the year.

#### (b) Diluted earnings/(loss) per share

The Company did not have dilutive potential ordinary shares outstanding during both 2021 and 2020. Accordingly, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for both 2021 and 2020.

## Notes to the Financial Statements *(Continued)*

### 10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

**Toys and model trains:** The manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are manufactured in the Group's manufacturing facilities located in Mainland China.

**Property investment:** The leasing of office premises and industrial building to generate rental income and to gain from the appreciation in the properties' value in the long term.

**Investment holding:** The investment in securities.

#### **(a) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of intangible assets, interest in associates, deferred tax assets, current tax recoverable, cash and cash equivalents, loans to an associate and other corporate assets. Segment liabilities include all liabilities with the exception of amount due to an associate, current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

## Notes to the Financial Statements (Continued)

### 10 SEGMENT REPORTING (continued)

#### (a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:

	Toys and model trains		Property investment		Investment holding		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	346,630	327,982	50,700	44,311	-	-	397,330	372,293
Inter-segment revenue	-	-	1,525	1,858	-	-	1,525	1,858
Reportable segment revenue	<u>346,630</u>	<u>327,982</u>	<u>52,225</u>	<u>46,169</u>	<u>-</u>	<u>-</u>	<u>398,855</u>	<u>374,151</u>
Reportable segment profit/(loss) (adjusted EBITDA)	13,674	(38,036)	41,462	34,912	(5,489)	(3,624)	49,647	(6,748)
Interest income	70	86	-	-	3,079	2,964	3,149	3,050
Interest expenses	(7,084)	(9,865)	-	-	-	-	(7,084)	(9,865)
Depreciation and amortisation for the year	(37,775)	(33,454)	-	-	(211)	(198)	(37,986)	(33,652)
Reportable segment assets	546,774	523,299	2,098,735	2,002,121	443,374	385,486	3,088,883	2,910,906
Additions to non-current segment assets during the year	25,428	36,821	44,442	23,078	6,245	15,567	76,115	75,466
Reportable segment liabilities	<u>861,500</u>	<u>758,777</u>	<u>53,498</u>	<u>43,661</u>	<u>5,499</u>	<u>4,797</u>	<u>920,497</u>	<u>807,235</u>

## Notes to the Financial Statements (Continued)

## 10 SEGMENT REPORTING (continued)

## (b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>		
Reportable segment revenue	398,855	374,151
Elimination of inter-segment revenue	<u>(1,525)</u>	<u>(1,858)</u>
Consolidated revenue (note 3)	<u><b>397,330</b></u>	<u><b>372,293</b></u>
<b>Profit or loss</b>		
Reportable segment profit/(loss)	49,647	(6,748)
Elimination of inter-segment profit	<u>—</u>	<u>—</u>
Reportable segment profit/(loss) derived from the Group's external customers	49,647	(6,748)
Other revenue and other net (loss)/income	11,140	29,133
Depreciation and amortisation	(37,986)	(33,652)
Finance costs	(7,084)	(9,865)
Share of profits less losses of associates	(1,202)	(41,851)
Impairment loss of loans to an associate	(4,640)	(4,169)
Surplus/(deficit) on revaluation of investment properties	<u>44,188</u>	<u>(43,059)</u>
Consolidated profit/(loss) before taxation	<u><b>54,063</b></u>	<u><b>(110,211)</b></u>
<b>Assets</b>		
Reportable segment assets	3,088,883	2,910,906
Elimination of inter-segment receivables	<u>(392,809)</u>	<u>(331,238)</u>
	<b>2,696,074</b>	2,579,668
Intangible assets	385	419
Interest in associates	65,044	55,372
Loans to an associate	41,306	39,699
Current tax recoverable	358	208
Deferred tax assets	8,039	6,272
Cash and cash equivalents	<u>88,050</u>	<u>88,964</u>
Consolidated total assets	<u><b>2,899,256</b></u>	<u><b>2,770,602</b></u>

## Notes to the Financial Statements *(Continued)*

### 10 SEGMENT REPORTING *(continued)*

#### (b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities *(continued)*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Liabilities</b>		
Reportable segment liabilities	920,497	807,235
Elimination of inter-segment payables	<u>(392,808)</u>	<u>(331,238)</u>
	527,689	475,997
Amount due to an associate	37,095	33,286
Current tax payable	39,538	35,697
Deferred tax liabilities	<u>25,402</u>	<u>20,067</u>
Consolidated total liabilities	<u><u>629,724</u></u>	<u><u>565,047</u></u>

## Notes to the Financial Statements (Continued)

### 10 SEGMENT REPORTING (continued)

#### (c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, non-current deposits and prepayments and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and the location of operations, in the case of interest in associates.

	Revenue from external customers		Specified non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	<b>52,558</b>	44,665	<b>2,129,840</b>	2,045,454
Mainland China	<b>5,009</b>	1,810	<b>62,214</b>	72,355
North America	<b>171,646</b>	197,296	<b>106,399</b>	98,049
Europe	<b>168,052</b>	128,153	<b>54,260</b>	31,916
Others	<b>65</b>	369	<b>25,013</b>	13,794
	<b>344,772</b>	327,628	<b>247,886</b>	216,114
	<b>397,330</b>	372,293	<b>2,377,726</b>	2,261,568

# Notes to the Financial Statements (Continued)

## 11 PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use carried at cost		Other properties leased for own use carried at cost	Other items of plant and equipment	Sub-total	Investment properties		Total
	In Hong Kong	Outside Hong Kong				In Hong Kong	Outside Hong Kong	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
<b>Cost or valuation:</b>								
At 1 January 2020	71,146	48,880	70,282	714,883	905,191	2,007,898	-	2,913,089
Exchange adjustments	-	563	4,079	6,619	11,261	-	-	11,261
Additions	-	3,398	-	35,830	39,228	20,671	-	59,899
Disposals	-	-	(8,586)	(5,941)	(14,527)	-	-	(14,527)
Transfer	-	31	-	(31)	-	-	-	-
Deficit on revaluation	-	-	-	-	-	(43,059)	-	(43,059)
At 31 December 2020	71,146	52,872	65,775	751,360	941,153	1,985,510	-	2,926,663
<b>Representing</b>								
Cost	71,146	52,872	65,775	751,360	941,153	-	-	941,153
Valuation – 2020	-	-	-	-	-	1,985,510	-	1,985,510
	<u>71,146</u>	<u>52,872</u>	<u>65,775</u>	<u>751,360</u>	<u>941,153</u>	<u>1,985,510</u>	<u>-</u>	<u>2,926,663</u>
At 1 January 2021	71,146	52,872	65,775	751,360	941,153	1,985,510	-	2,926,663
Exchange adjustments	-	(159)	2,036	1,323	3,200	-	-	3,200
Additions	-	6,975	409	31,899	39,283	15,971	14,616	69,870
Disposals	-	-	(6,065)	(5,972)	(12,037)	-	-	(12,037)
Transfer	(7,103)	-	-	-	(7,103)	(541)	-	(7,644)
Surplus on revaluation	19,388	-	-	-	19,388	44,188	-	63,576
At 31 December 2021	83,431	59,688	62,155	778,610	983,884	2,045,128	14,616	3,043,628
<b>Representing</b>								
Cost	83,431	59,688	62,155	778,610	983,884	-	-	983,884
Valuation – 2021	-	-	-	-	-	2,045,128	14,616	2,059,744
	<u>83,431</u>	<u>59,688</u>	<u>62,155</u>	<u>778,610</u>	<u>983,884</u>	<u>2,045,128</u>	<u>14,616</u>	<u>3,043,628</u>

## Notes to the Financial Statements (Continued)

## 11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Ownership interests in land and buildings held for own use carried at cost		Other properties leased for own use carried at cost	Other items of plant and equipment	Sub-total	Investment properties		Total
	In Hong Kong	Outside Hong Kong				In Hong Kong	Outside Hong Kong	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Accumulated depreciation and impairment:</b>								
At 1 January 2020	18,174	21,924	10,245	629,316	679,659	-	-	679,659
Exchange adjustments	-	305	1,014	4,357	5,676	-	-	5,676
Charge for the year (note 5(d))	1,951	721	9,045	21,901	33,618	-	-	33,618
Written back on disposals	-	-	(2,423)	(5,926)	(8,349)	-	-	(8,349)
Impairment loss (note 5(c))	-	-	5,352	13,785	19,137	-	-	19,137
Transfer	(269)	(1)	-	270	-	-	-	-
At 31 December 2020	<u>19,856</u>	<u>22,949</u>	<u>23,233</u>	<u>663,703</u>	<u>729,741</u>	-	-	<u>729,741</u>
At 1 January 2021	19,856	22,949	23,233	663,703	729,741	-	-	729,741
Exchange adjustments	-	(17)	818	1,184	1,985	-	-	1,985
Charge for the year (note 5(d))	3,199	858	7,717	26,178	37,952	-	-	37,952
Written back on disposals	-	-	(3,399)	(4,857)	(8,256)	-	-	(8,256)
Transfer	(7,644)	-	-	-	(7,644)	-	-	(7,644)
At 31 December 2021	<u>15,411</u>	<u>23,790</u>	<u>28,369</u>	<u>686,208</u>	<u>753,778</u>	-	-	<u>753,778</u>
<b>Net book value:</b>								
At 31 December 2021	<u>68,020</u>	<u>35,898</u>	<u>33,786</u>	<u>92,402</u>	<u>230,106</u>	<u>2,045,128</u>	<u>14,616</u>	<u>2,289,850</u>
At 31 December 2020	<u>51,290</u>	<u>29,923</u>	<u>42,542</u>	<u>87,657</u>	<u>211,412</u>	<u>1,985,510</u>	-	<u>2,196,922</u>

## Notes to the Financial Statements (Continued)

### 11 PROPERTY, PLANT AND EQUIPMENT (continued)

#### (a) Impairment loss of property, plant and equipment

During the year ended 31 December 2020, the Group's management identified that the toys and model trains segment, classified as a cash generating unit ("the CGU") of the Group, had under-performed and estimated the recoverable amounts of the CGU. Based on these estimates, the carrying amount of right-of-use assets and other property plant and equipment was written down by HK\$5,352,000 and HK\$13,785,000 respectively. The recoverable amount of HK\$81,029,000 was estimated based on the value in use of the CGU, determined using a discount rate of 15.1%.

In 2021, the Group reassessed the recoverable amount of the CGU of the toys and model trains segment and concluded that no further impairment losses or reversal of previously recognised impairment losses is required as at 31 December 2021.

#### (b) Fair value measurement of investment properties

	2021 HK\$'000	2020 HK\$'000
Investment properties at valuation:		
– In Hong Kong	2,045,128	1,985,510
– Outside Hong Kong	14,616	–
	<u>2,059,744</u>	<u>1,985,510</u>
At 31 December	<u>2,059,744</u>	<u>1,985,510</u>

##### (i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

## Notes to the Financial Statements *(Continued)*

### 11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

#### (b) Fair value measurement of investment properties *(continued)*

##### (i) Fair value hierarchy *(continued)*

	Fair value as at 31 December 2021 HK\$'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Investment properties:				
– Industrial – Hong Kong	2,045,128	–	–	2,045,128
– Industrial – United Kingdom	14,616	–	–	14,616
	Fair value as at 31 December 2020 HK\$'000	Fair value measurements as at 31 December 2020 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Investment properties:				
– Industrial – Hong Kong	1,985,510	–	–	1,985,510

## Notes to the Financial Statements *(Continued)*

### 11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

#### **(b) Fair value measurement of investment properties *(continued)***

##### *(i) Fair value hierarchy (continued)*

During the year ended 31 December 2021 (2020: HK\$Nil), there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: HK\$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2021. The valuations of investment properties in Hong Kong were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuations of investment properties in the United Kingdom were carried out by an independent firm of surveyors, Harwoods, who have among their staff Members of the Royal Institution of Chartered Surveyors with recent experience in the location and category of property being valued. The management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

##### *(ii) Information about Level 3 fair value measurements*

	Valuation techniques	Unobservable inputs	Range	Weighted average
Investment properties – Industrial – Hong Kong	Income capitalisation approach	Market rental value	HK\$15.1 to 16.7/sq. foot/month (2020: HK\$14.8 to 16.7/sq. foot/month)	HK\$15.0/sq. foot/month (2020: HK\$12.9/sq. foot/month)
		Capitalisation rate	N/A (2020: N/A)	3.5% (2020: 3.60%)
Investment properties – Industrial – Hong Kong	Direct comparison approach	Premium (discount) on quality of the buildings	(5%) to 5% (2020: (5%) to 5%)	0% (2020: 0%)
Investment properties – Industrial – United Kingdom	Direct comparison approach	Premium (discount) on quality of the buildings	(10%) to 10% (2020: N/A)	0% (2020: N/A)

## Notes to the Financial Statements *(Continued)*

### 11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

#### (b) Fair value measurement of investment properties *(continued)*

##### (ii) Information about Level 3 fair value measurements *(continued)*

The fair value of investment properties located in Hong Kong is determined on an open market value basis, by either making reference to the comparable sales evidence in the relevant locality, or otherwise, by capitalising the current rent derived from the existing tenancies with the provision for any reversionary income potential.

The fair value of investment properties located in the United Kingdom is determined on an open market value basis by making reference to the comparable sales evidence in the relevant locality.

The capitalisation rate used in income capitalisation approach has been adjusted for the expected market rental growth, occupancy rate and quality and location of the buildings. The fair value measurement is positively correlated to the market rental value and negatively correlated to the risk-adjusted capitalisation rate.

The premium or discount used in direct comparison approach is specific to the building compared to the recent sales. High premium for higher quality buildings will result in a high fair value measurement.

The movements in the balance of these Level 3 fair value measurements during the year are as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Investment properties		
– Industrial – Hong Kong:		
At 1 January	<b>1,985,510</b>	2,007,898
Additions	<b>15,971</b>	20,671
Transfer	<b>(541)</b>	–
Fair value adjustment	<b>44,188</b>	(43,059)
	<b>2,045,128</b>	1,985,510
At 31 December	<b>2,045,128</b>	1,985,510

## Notes to the Financial Statements (Continued)

### 11 PROPERTY, PLANT AND EQUIPMENT (continued)

#### (b) Fair value measurement of investment properties (continued)

##### (ii) Information about Level 3 fair value measurements (continued)

	2021 HK\$'000	2020 HK\$'000
Investment properties		
– Industrial – Outside Hong Kong:		
At 1 January	–	–
Additions	<u>14,616</u>	<u>–</u>
At 31 December	<u><u>14,616</u></u>	<u><u>–</u></u>

During the year ended 31 December 2021, there was a change in use of property from being used by the Group to earning rental from external third parties. In accordance with HKAS 16 *Property, plant and equipment* and HKAS 40 *Investment Property*, the property was transferred from land and buildings held for own use to investment property at fair value on the date of transfer. The surplus on revaluation of land and buildings held for own use upon change of use to investment properties of HK\$19,388,000 is recognised in land and buildings revaluation reserve.

Fair value adjustment of investment properties is recognised in the line item “surplus/ (deficit) on revaluation of investment properties” in the consolidated statement of profit or loss.

All the gains/(losses) recognised in profit and loss for the year arose from the properties held at the end of the reporting period.

## Notes to the Financial Statements *(Continued)*

### 11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

#### (c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in Hong Kong, with remaining lease term between 10 and 50 years	(i)	<b>68,020</b>	51,290
Other properties leased for own use, carried at depreciated cost	(ii)	<b>33,786</b>	42,542
Other items of plant and equipment, carried at depreciated cost	(iii)	<u>624</u>	<u>927</u>
		<b>102,430</b>	94,759
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of between 10 and 50 years		<u>2,045,128</u>	<u>1,985,510</u>
		<b><u>2,147,558</u></b>	<b><u>2,080,269</u></b>

## Notes to the Financial Statements (Continued)

### 11 PROPERTY, PLANT AND EQUIPMENT (continued)

#### (c) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 HK\$'000	2020 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	3,199	1,951
Other properties leased for own use	7,717	9,045
Plant and equipment	463	459
	<u>11,379</u>	<u>11,455</u>
Interest on lease liabilities (note 5(a))	1,969	2,260
Expense relating to short-term leases	39	778
Gain on lease modifications	402	255
COVID-19-related rent concessions received	–	(150)
Impairment loss on right-of-use assets	–	5,352

During the year, additions to right-of-use assets were HK\$16,536,000 (2020: HK\$21,169,000). This amount included the additions of a leasehold property of HK\$15,971,000 (2020: HK\$20,671,000), and the remainder of HK\$565,000 (2020: HK\$498,000) related to the capitalised lease payments payable under new lease agreements of other items of plant and equipment.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(d) and 23, respectively.

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions beyond 30 June 2021*, and applies the practical expedient to all eligible rent concessions received by the Group. Further details are disclosed in (ii) below.

## Notes to the Financial Statements *(Continued)*

### 11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

#### (c) Right-of-use assets *(continued)*

##### (i) Ownership interests in leasehold land and buildings held for own use

The Group holds an industrial building for its toys business. The Group is the registered owner of the property interest, including the share in the underlying land. Lump sum payments were made upfront to acquire the right to use the property, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

##### (ii) Other properties leased for own use

The Group has obtained the right to use other properties as its offices, warehouses, staff quarters and factories through tenancy agreements. The leases typically run for an initial period of 2 to 15 years.

Since 2020 the Group has received rent concessions in the form of a discount on fixed payments as a result of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments for the year is summarised below:

	Fixed payments HK\$'000	2021 COVID-19 rent concessions HK\$'000	Total payments HK\$'000
Warehouses – PRC	1,084	–	1,084
	Fixed payments HK\$'000	2020 COVID-19 rent concessions HK\$'000	Total payments HK\$'000
Warehouses – PRC	1,693	(150)	1,543

##### (iii) Other items of plant and equipment

The Group leases equipment under leases expiring from 2 to 6 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

## Notes to the Financial Statements (Continued)

### 11 PROPERTY, PLANT AND EQUIPMENT (continued)

#### (d) Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	<u>31,775</u>	<u>32,759</u>

#### (e) Secured assets

Investment properties and land and buildings of the Group with total carrying values of HK\$1,896,744,000 (2020: HK\$1,827,110,000) and HK\$70,830,000 (2020: HK\$59,722,000) respectively, were pledged to various banks to secure banking facilities granted to the Group (see note 22).

## Notes to the Financial Statements (Continued)

## 12 INTANGIBLE ASSETS

	<b>Licensing</b> <i>HK\$'000</i>	<b>Trademark</b> <i>HK\$'000</i>	<b>Club membership</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost:</b>				
At 1 January 2020	5,925	–	868	6,793
Exchange adjustments	185	–	–	185
Additions	–	87	–	87
At 31 December 2020	<u>6,110</u>	<u>87</u>	<u>868</u>	<u>7,065</u>
At 1 January 2021	<b>6,110</b>	<b>87</b>	<b>868</b>	<b>7,065</b>
Exchange adjustments	<u>(5)</u>	<u>–</u>	<u>–</u>	<u>(5)</u>
At 31 December 2021	<u><b>6,105</b></u>	<u><b>87</b></u>	<u><b>868</b></u>	<u><b>7,060</b></u>
<b>Accumulated amortisation:</b>				
At 1 January 2020	5,925	–	502	6,427
Exchange adjustments	185	–	–	185
Charge for the year	–	–	34	34
At 31 December 2020	<u>6,110</u>	<u>–</u>	<u>536</u>	<u>6,646</u>
At 1 January 2021	<b>6,110</b>	<b>–</b>	<b>536</b>	<b>6,646</b>
Exchange adjustments	<u>(5)</u>	<u>–</u>	<u>–</u>	<u>(5)</u>
Charge for the year	<u>–</u>	<u>–</u>	<u><b>34</b></u>	<u><b>34</b></u>
At 31 December 2021	<u><b>6,105</b></u>	<u><b>–</b></u>	<u><b>570</b></u>	<u><b>6,675</b></u>
<b>Net book value:</b>				
At 31 December 2021	<u><u>–</u></u>	<u><u><b>87</b></u></u>	<u><u><b>298</b></u></u>	<u><u><b>385</b></u></u>
At 31 December 2020	<u><u>–</u></u>	<u><u><b>87</b></u></u>	<u><u><b>332</b></u></u>	<u><u><b>419</b></u></u>

The amortisation charge for the year is included in “other operating expenses” in the consolidated statement of profit or loss.

## Notes to the Financial Statements (Continued)

### 13 INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by		Principal activities
				The Company	A subsidiary	
Apple Park Limited	Hong Kong	Hong Kong	1,000 shares	–	100%	Investment holding
Bachmann Asia Limited	Hong Kong	Hong Kong	2 shares	–	100%	Agent for sale of toys
Bachmann (China) Limited	PRC	Hong Kong	10,000 shares	–	100%	Trading of toys
Bachmann Trading (Shanghai) Limited	PRC	PRC	Registered capital RMB6,000,000	–	100%	Trading of toys
Bachmann Europe Plc	UK	UK	2,050,000 shares of £1 each	100%	–	Trading of toys
Bachmann Industries, Inc.	United States of America ("USA")	USA	4,010,100 shares of US\$1 each	–	100%	Trading of toys
Kader Properties Management Company Limited (formerly known as Deltahill Company Limited)	Hong Kong	Hong Kong	100 shares and 1,001,000 non-voting deferred shares	–	100%	Provision of management services
Dongguan Feng Da Electronics Company Limited (Note 1)	PRC	PRC	Registered capital HK\$8,000,000	–	100%	Manufacture of toys
Dongguan Hop Pong Precise Moulds Company Limited (Note 2)	PRC	PRC	Registered capital RMB4,800,000	–	52%	Manufacture and sale of moulds
Faith World Development Limited	Hong Kong	Hong Kong	1 share of HK\$1	–	100%	Property development and investment

## Notes to the Financial Statements *(Continued)*

### 13 INTEREST IN SUBSIDIARIES *(continued)*

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by		Principal activities
				The Company	A subsidiary	
Great Hope Investment Limited	British Virgin Islands ("BVI")	BVI	1 share of US\$1	–	100%	Investment holding
Kader Industrial Company Limited	Hong Kong	Hong Kong	412,532,000 shares	100%	–	Manufacture and trading of toys, and property investment
K Cellars (Hong Kong) Limited	Hong Kong	Hong Kong	1,000 shares	–	100%	Sub-letting of wine cellar
Shanghai Pingbai Children Products Company Limited	PRC	PRC	Registered capital RMB8,000,000	–	100%	Trading of toys
Sanda Kan (Cayman III) Holdings Company Limited	Cayman Island	Cayman Island	1,000,000 shares of US\$0.01 each	100%	–	Investment holding
Sanda Kan (Mauritius) Holdings Company Limited	The Republic of Mauritius	The Republic of Mauritius	100 shares of US\$0.01 each	–	100%	Investment holding
Technic International Development Limited	Hong Kong	Hong Kong	1 share	–	100%	Investment holding
Wise Huge Investment Limited	Hong Kong	Hong Kong	1 share	100%	–	Investment holding

*Notes:*

- 1 The company is a wholly-owned foreign enterprise registered in the PRC.
- 2 The company is a co-operative joint venture registered in PRC.

## Notes to the Financial Statements (Continued)

### 14 INTEREST IN ASSOCIATES AND LOANS TO AN ASSOCIATE

	<b>2021</b> <b>HK\$'000</b>	2020 <b>HK\$'000</b>
<b>Non-current assets</b>		
Share of net assets	<b>18,989</b>	15,211
Amounts due from associates	<b>46,055</b>	40,161
	<b><u>65,044</u></b>	<b><u>55,372</u></b>
<b>Current assets</b>		
Loans to an associate	<b>54,299</b>	48,052
Less: impairment loss	<b>(12,993)</b>	(8,353)
	<b><u>41,306</u></b>	<b><u>39,699</u></b>

Amounts due from associates are unsecured, interest-free and repayable on demand. The Group does not intend to seek repayment thereof within 12 months of the end of the reporting period.

At 31 December 2021, loans to an associate amounting to HK\$44,665,000 (2020: HK\$41,207,000) are unsecured, interest-bearing at 5% per annum (2020: 5% per annum) and are repayable within one year. Interest receivable amounted to HK\$9,634,000 (2020: HK\$6,845,000) as at 31 December 2021.

## Notes to the Financial Statements (Continued)

### 14 INTEREST IN ASSOCIATES AND LOANS TO AN ASSOCIATE (continued)

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available.

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by a subsidiary	Held by an associate	
Allman Holdings Limited	Incorporated	BVI	1,440 shares of US\$1 each	36.1%	36.1%	-	Investment holding
Pacific Squaw Creek Inc.	Incorporated	USA	1,000 shares of US\$1 each	36.1%	-	100.0%	Investment holding
RedwoodVentures Limited	Incorporated	Hong Kong	3,101,000 shares	45.5%	45.5%	-	Trading of toys
Squaw Creek Associates, LLC ("SCA")	Limited liability company	USA	Note	37.4%	15.0%	62.0%	Resort operation, and the sale and management of condominium apartments
Snow King Properties, LLC ("SKP")	Limited liability company	USA	Note	37.4%	15.0%	62.0%	Properties development and investment

Note:

SCA and SKP does not have issued share capital, the interests in SCA and SKP represent the interests in capital account balance.

All of the above associates are accounted for using the equity method in the consolidated financial statements and considered not to be individually material.

#### Summary financial information on associates

	Assets HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Revenue HK\$'000	Loss HK\$'000
<b>2021</b>					
Group's effective interest	<u>225,235</u>	<u>(198,401)</u>	<u>26,834</u>	<u>123,265</u>	<u>(1,202)</u>
<b>2020</b>					
Group's effective interest	<u>202,451</u>	<u>(173,337)</u>	<u>29,114</u>	<u>83,487</u>	<u>(41,851)</u>

## Notes to the Financial Statements (Continued)

### 15 DEPOSITS AND PREPAYMENTS

At 31 December 2021, deposits and prepayments for property, plant and equipment are expected to be recognised as property, plant and equipment in the future and classified as non-current assets.

### 16 OTHER FINANCIAL ASSETS

	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>		
Other financial assets ( <i>note 28(f)(i)</i> ):		
– Listed equity securities at FVPL in Hong Kong	2,467	3,001
– Listed equity securities at FVPL outside Hong Kong	2,923	2,824
– Unlisted equity securities at FVPL outside Hong Kong	17,139	20,854
– Listed debt securities at FVPL outside Hong Kong	548	–
– Unlisted debt securities at FVPL outside Hong Kong	22,468	14,820
	<u>45,545</u>	<u>41,499</u>
<b>Current assets</b>		
Other financial assets		
– Financial asset measured at amortised cost	<u>–</u>	<u>5,000</u>

### 17 TRADING SECURITIES

	2021 HK\$'000	2020 HK\$'000
Listed equity securities at FVPL ( <i>note 28(f)(i)</i> )		
– in Hong Kong	5,094	10,224
– outside Hong Kong	8,130	3,823
	<u>13,224</u>	<u>14,047</u>

## Notes to the Financial Statements *(Continued)*

### 18 INVENTORIES

**(a) Inventories in the consolidated statement of financial position comprise:**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	19,544	12,629
Work in progress	15,455	15,587
Finished goods	<u>186,270</u>	<u>174,417</u>
	<u><u>221,269</u></u>	<u><u>202,633</u></u>

**(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows (note 5(d)):**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount of inventories sold	206,309	220,724
Write-down of inventories	1,818	2,895
Reversal of write-down of inventories	<u>(2,128)</u>	<u>(24)</u>
	<u><u>205,999</u></u>	<u><u>223,595</u></u>

The reversal of write-down of inventories made in the prior year arose upon subsequent sale of inventories.

## Notes to the Financial Statements (Continued)

### 19 TRADE AND OTHER RECEIVABLES

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Trade debtors, net of loss allowance	<b>78,152</b>	89,219
Amounts due from related companies	<b>2,090</b>	2,087
Deposits and prepayments	<b>23,497</b>	19,406
	<u><b>103,739</b></u>	<u>110,712</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Amounts due from related companies are unsecured, interest-free and repayable on demand. The related companies have a common director and shareholder with the Company.

#### Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Within 1 month	<b>24,727</b>	31,431
1 to 3 months	<b>34,594</b>	41,484
3 to 12 months	<b>17,093</b>	15,593
Over 12 months	<b>1,738</b>	711
	<u><b>78,152</b></u>	<u>89,219</u>

Trade debtors are due within 90 days from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

## Notes to the Financial Statements *(Continued)*

### 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

**(a) Cash and cash equivalents comprise:**

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deposits with banks and other financial institutions	<b>465</b>	2,647
Cash at bank and on hand	<b>87,585</b>	86,317
Cash and cash equivalents in the consolidated cash flow statements	<b><u>88,050</u></b>	<b><u>88,964</u></b>

## Notes to the Financial Statements *(Continued)*

### 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

#### (b) Reconciliation of profit/(loss) before taxation to cash generated from operations:

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Profit/(loss) before taxation		<b>54,063</b>	(110,211)
Adjustments for:			
(Surplus)/deficit on revaluation of investment properties	<i>11</i>	<b>(44,188)</b>	43,059
Depreciation	<i>11</i>	<b>37,952</b>	33,618
Amortisation of intangible assets	<i>12</i>	<b>34</b>	34
Impairment of other property, plant and equipment	<i>11</i>	–	19,137
Finance costs	<i>5(a)</i>	<b>7,084</b>	9,865
Interest income	<i>4</i>	<b>(3,149)</b>	(3,050)
Share of profits less losses of associates	<i>14</i>	<b>1,202</b>	41,851
Impairment loss of loans to an associate	<i>14</i>	<b>4,640</b>	4,169
Addition of impairment loss on trade and other receivables	<i>5(c)</i>	<b>231</b>	471
Gain on lease modifications	<i>4</i>	<b>(402)</b>	(255)
Loan forgiveness	<i>4</i>	<b>(4,735)</b>	–
Net loss/(gain) on disposal of other property, plant and equipment	<i>4</i>	<b>694</b>	(38)
Net realised and unrealised loss/(gain) on trading securities	<i>4</i>	<b>4,014</b>	(3,597)
Net realised and unrealised loss/(gain) on other financial assets	<i>4</i>	<b>914</b>	(837)
COVID-19-related rent concessions received	<i>11(c)</i>	–	(150)
Foreign exchange gain		<b>(369)</b>	(4,508)
Changes in working capital:			
(Increase)/decrease in inventories		<b>(18,636)</b>	37,046
Decrease in trade and other receivables		<b>6,742</b>	18,027
Increase/(decrease) in trade and other payables and contract liabilities (excluding rental deposits)		<b>9,505</b>	(9,580)
Increase in rental deposits received		<b>630</b>	2,534
Decrease in accrued employee benefits		<b>(18)</b>	(20)
Cash generated from operations		<b><u>56,208</u></b>	<b><u>77,565</u></b>

## Notes to the Financial Statements *(Continued)*

### 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

#### (c) Reconciliation of liabilities arising from financing activities:

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

	<b>Bank loans</b> <i>HK\$'000</i> <i>(Note 22)</i>	<b>Lease liabilities</b> <i>HK\$'000</i> <i>(Note 23)</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 1 January 2020</b>	323,733	65,606	389,339
<b>Changes from financing cash flows:</b>			
Proceeds from new bank loans	592,633	–	592,633
Repayment of bank loans	(592,015)	–	(592,015)
Capital element of lease rentals paid	–	(8,641)	(8,641)
Interest element of lease rentals paid	–	(2,260)	(2,260)
Other borrowing costs paid	(7,605)	–	(7,605)
<b>Total changes from financing cash flows</b>	<b>(6,987)</b>	<b>(10,901)</b>	<b>(17,888)</b>
<b>Exchange adjustments</b>	–	3,422	3,422
<b>Other change:</b>			
Interest on bank loans and other borrowings <i>(note 5(a))</i>	7,605	–	7,605
Interest on lease liabilities <i>(note 5(a))</i>	–	2,260	2,260
Increase in lease liabilities from entering into new leases during the period	–	498	498
Decrease in lease liabilities from terminating leases during the period	–	(6,413)	(6,413)
COVID-19-related rent concessions received <i>(note 11(c))</i>	–	(150)	(150)
	7,605	(3,805)	3,800
<b>As at 31 December 2020</b>	<b>324,351</b>	<b>54,322</b>	<b>378,673</b>

## Notes to the Financial Statements (Continued)

### 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

#### (c) Reconciliation of liabilities arising from financing activities: (continued)

	<b>Bank loans</b> <i>HK\$'000</i> <i>(Note 22)</i>	<b>Lease liabilities</b> <i>HK\$'000</i> <i>(Note 23)</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 1 January 2021</b>	<b>324,351</b>	<b>54,322</b>	<b>378,673</b>
<b>Changes from financing cash flows:</b>			
Proceeds from new bank loans	624,829	–	624,829
Repayment of bank loans	(568,655)	–	(568,655)
Capital element of lease rentals paid	–	(8,913)	(8,913)
Interest element of lease rentals paid	–	(1,969)	(1,969)
Other borrowing costs paid	(5,115)	–	(5,115)
Total changes from financing cash flows	<b>51,059</b>	<b>(10,882)</b>	<b>40,177</b>
<b>Exchange adjustments</b>	–	1,551	1,551
<b>Other change:</b>			
Loan forgiveness (note 4)	(4,735)	–	(4,735)
Interest on bank loans and other borrowings (note 5(a))	5,115	–	5,115
Interest on lease liabilities (note 5(a))	–	1,969	1,969
Increase in lease liabilities from entering into new leases during the period	–	565	565
Decrease in lease liabilities from terminating leases during the period	–	(3,067)	(3,067)
	<b>380</b>	<b>(533)</b>	<b>(153)</b>
<b>As at 31 December 2021</b>	<b>375,790</b>	<b>44,458</b>	<b>420,248</b>

## Notes to the Financial Statements (Continued)

### 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

#### (d) Total cash outflow for leases

	2021 HK\$'000	2020 HK\$'000
Within operating cash flows	39	778
Within investing cash flows	15,971	20,671
Within financing cash flows	10,882	10,901
	<u>26,892</u>	<u>32,350</u>

These amounts relate to the following:

	2021 HK\$'000	2020 HK\$'000
Lease rentals paid	10,921	11,679
Additions in leasehold properties	15,971	20,671
	<u>26,892</u>	<u>32,350</u>

### 21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
<b>Trade and other payables</b>		
Creditors and accrued charges	88,409	70,860
Rental deposits	12,784	12,154
Amount due to related companies	839	869
Amount due to an associate	37,095	33,286
	<u>139,127</u>	<u>117,169</u>
<b>Contract liabilities</b>		
Forward sales deposits	<u>1,786</u>	<u>9,800</u>
	<u>140,913</u>	<u>126,969</u>

## Notes to the Financial Statements (Continued)

### 21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (continued)

#### (a) Trade and other payables

All of the trade and other payables, except for the amounts due to related companies and an associate, are expected to be settled or recognised as income within one year or are repayable on demand.

Amounts due to related companies and an associate are unsecured, interest-free and repayable on demand. The related companies have common directors and shareholders with the Company.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Within 1 month	<b>10,053</b>	7,599
Over 1 month but within 3 months	<b>8,617</b>	7,554
Over 3 months but within 6 months	<b>3,661</b>	1,697
Over 6 months	–	1,535
	<b>22,331</b>	18,385

## Notes to the Financial Statements *(Continued)*

### 21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES *(continued)*

#### **(b) Contract liabilities**

Typical payment terms which impact on the amounts of contract liabilities recognised are as follows:

The Group receives advances from certain customers for sale of goods when they sign sale and purchase agreement. These advances are recognised as contract liabilities until the customers take possession of and accepts the products.

#### *Movements in contract liabilities*

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at 1 January	9,800	9,566
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 period	<b>(9,800)</b>	(3,463)
Increase in contract liabilities as a result of receiving forward sales deposits during the year	<b>1,783</b>	3,681
Exchange adjustments	<u>3</u>	<u>16</u>
Balance at 31 December	<u><b>1,786</b></u>	<u><b>9,800</b></u>

The amount of forward sales deposits received are expected to be recognised as income within one year.

## Notes to the Financial Statements (Continued)

### 22 BANK LOANS

At 31 December 2021, the bank loans were repayable as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year or on demand	361,722	324,351
After 1 year but within 2 years	762	–
After 2 years but within 5 years	2,284	–
After 5 years	11,022	–
	14,068	–
	<b>375,790</b>	<b>324,351</b>

At 31 December 2021, the bank loans were as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank loans		
– Secured	375,790	319,719
– Unsecured	–	4,632
	<b>375,790</b>	<b>324,351</b>

## Notes to the Financial Statements *(Continued)*

### 22 BANK LOANS *(continued)*

At 31 December 2021, investment properties and leasehold land and buildings of the Group with aggregate net carrying value of HK\$1,967,574,000 (2020: HK\$1,886,832,000) were pledged to various banks to secure the bank loans and overdrafts granted to the Group. Details of the secured assets are as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Investment properties <i>(note 11(e))</i>	<b>1,896,744</b>	1,827,110
Ownership interest in land and buildings <i>(note 11(e))</i>	<b>70,830</b>	59,722
	<b><u>1,967,574</u></b>	<b><u>1,886,832</u></b>

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's or relevant subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand.

At 31 December 2021 and 31 December 2020, none of the covenants relating to drawn down facilities has been breached.

Further details of the Group's management of liquidity risk are set out in note 28(b).

## Notes to the Financial Statements (Continued)

### 23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021 HK\$'000	2020 HK\$'000
Within 1 year	8,748	9,229
After 1 year but within 2 years	8,990	9,521
After 2 years but within 5 years	24,552	25,275
After 5 years	2,168	10,297
	<u>35,710</u>	<u>45,093</u>
	<u>44,458</u>	<u>54,322</u>

### 24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2021 HK\$'000	2020 HK\$'000
Provision for Hong Kong Profits Tax for the year	2,035	42
Provisional Profits Tax paid	(54)	(563)
Balance of Profits Tax provision relating to prior years	14,019	14,317
	<u>16,000</u>	<u>13,796</u>
Provision for tax outside Hong Kong	23,180	21,693
	<u>39,180</u>	<u>35,489</u>
Representing:		
Current tax recoverable	358	208
Current tax payable	(39,538)	(35,697)
	<u>(39,180)</u>	<u>(35,489)</u>

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates the tax implications of the transactions conducted, and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislation, and interpretation thereof. Where the final outcome is different from the current assessment, the income tax provisions recognised could be affected.

## Notes to the Financial Statements *(Continued)*

### 24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(continued)*

#### (b) Deferred tax assets and liabilities recognised:

##### (i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation HK\$'000	Depreciation charge of right-of-use assets HK\$'000	Revaluation of land and buildings HK\$'000	Provisions and allowances HK\$'000	Tax losses HK\$'000	Total HK\$'000
<b>Deferred tax arising from:</b>						
At 1 January 2020	15,142	(1,154)	10,587	(7,619)	(2,288)	14,668
Charged/(credited) to profit or loss (note 6(a))	(127)	(98)	-	527	(1,165)	(863)
Exchange adjustments	157	(81)	-	(86)	-	(10)
At 31 December 2020	<u>15,172</u>	<u>(1,333)</u>	<u>10,587</u>	<u>(7,178)</u>	<u>(3,453)</u>	<u>13,795</u>
At 1 January 2021	15,172	(1,333)	10,587	(7,178)	(3,453)	13,795
Charged/(credited) to profit or loss (note 6(a))	2,831	(1,113)	-	(1,493)	3,453	3,678
Exchange adjustments	(74)	(60)	-	24	-	(110)
At 31 December 2021	<u>17,929</u>	<u>(2,506)</u>	<u>10,587</u>	<u>(8,647)</u>	<u>-</u>	<u>17,363</u>

##### (ii) Reconciliation to the consolidated statement of financial position

	2021 HK\$'000	2020 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	8,039	6,272
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(25,402)</u>	<u>(20,067)</u>
	<u>(17,363)</u>	<u>(13,795)</u>

## Notes to the Financial Statements (Continued)

### 24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

#### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$259,691,000 (2020: HK\$261,897,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses of the Group amounting to HK\$42,744,000 (2020: HK\$39,723,000) does not expire under current tax legislation, while the remaining tax losses amounting to HK\$216,947,000 (2020: HK\$222,174,000) will expire at various dates up to and including 2040 as follows:

	2021 HK\$'000	2020 HK\$'000
<b>Expiring in year:</b>		
2021	–	190
2022	93	93
2023	119	119
2024	118	118
2025	135	135
2026	42	–
2028	11,961	17,040
2029	23,790	23,790
2030	29,250	29,250
2031	31,629	31,629
2032	15,826	15,826
2035	19,406	19,406
2036	29,081	29,081
2037	9,478	9,478
2038	17,160	17,160
2039	21,971	21,971
2040	6,888	6,888
	<u>216,947</u>	<u>222,174</u>
<b>No expiry date</b>	<u>42,744</u>	<u>39,723</u>
	<u><b>259,691</b></u>	<u><b>261,897</b></u>

### 25 RENTAL DEPOSITS

Rental deposits represent amount of rental deposits received which are expected to be settled after more than one year.

## Notes to the Financial Statements (Continued)

### 26 ACCRUED EMPLOYEE BENEFITS

	2021 HK\$'000	2020 HK\$'000
At 1 January	18	38
Provision utilised	<u>(18)</u>	<u>(20)</u>
	<u>–</u>	<u>18</u>

Accrued employee benefits represent provision for long service payments in respect of the Group's employees on termination of employment in accordance with the Hong Kong Employment Ordinance.

### 27 CAPITAL, RESERVES AND DIVIDENDS

#### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2020	95,059	185,138	9,347	175,594	472,173	937,311
Changes in equity for 2020: Loss and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(55,737)</u>	<u>(55,737)</u>
Balance at 31 December 2020 and 1 January 2021	95,059	185,138	9,347	175,594	416,436	881,574
Changes in equity for 2021: Loss and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(99,665)</u>	<u>(99,665)</u>
Balance at 31 December 2021	<u>95,059</u>	<u>185,138</u>	<u>9,347</u>	<u>175,594</u>	<u>316,771</u>	<u>781,909</u>

#### (b) Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK\$Nil).

## Notes to the Financial Statements (Continued)

### 27 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (c) Issued share capital

	2021		2020	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
<b>Ordinary shares, issued and fully paid:</b>				
At the beginning and the end of the year	<u>950,588</u>	<u>95,059</u>	<u>950,588</u>	<u>95,059</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

#### (d) Nature and purpose of reserves

##### (i) Share premium

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

##### (ii) Capital reserve

The capital reserve arose from acquisitions of subsidiaries and associates prior to 1 January 2001, where the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition was credited to the capital reserve.

##### (iii) Contributed surplus

The contributed surplus may be utilised in accordance with the Bye-laws and other relevant laws of Bermuda, being the place of incorporation of the Company.

## Notes to the Financial Statements *(Continued)*

### 27 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

#### **(d) Nature and purpose of reserves *(continued)***

##### *(iv) Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(v).

##### *(v) Revaluation reserve*

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings set out in note 1(h).

#### **(e) Distributability of reserves**

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$492,365,000 (2020: HK\$592,030,000).

#### **(f) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and contract liabilities, lease liabilities and rental deposits), less cash and cash equivalents. Total capital comprises all components of equity.

## Notes to the Financial Statements (Continued)

### 27 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (f) Capital management (continued)

During 2021, the Group's strategy, which was unchanged from 2020 was to maintain the adjusted net debt-to-capital ratio under 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratios at 31 December 2021 and were as follows:

	<b>31 December 2021 HK\$'000</b>	31 December 2020 HK\$'000
<b>Current liabilities:</b>		
Trade and other payables and contract liabilities	140,913	126,969
Bank loans	361,722	324,351
Lease liabilities	8,748	9,229
	<u>511,383</u>	<u>460,549</u>
<b>Non-current liabilities:</b>		
Bank loans	14,068	–
Lease liabilities	35,710	45,093
Rental deposits	3,623	3,623
	<u>53,401</u>	<u>48,716</u>
Total debt	564,784	509,265
Less: cash and cash equivalents	<u>(88,050)</u>	<u>(88,964)</u>
<b>Adjusted net debt</b>	<b><u>476,734</u></b>	<b><u>420,301</u></b>
<b>Total equity and capital</b>	<b><u>2,269,532</u></b>	<b><u>2,205,555</u></b>
<b>Adjusted net debt-to-capital ratio</b>	<b><u>21.0%</u></b>	<b><u>19.1%</u></b>

The Group is subject to the fulfilment of certain covenants which include maintaining its adjusted net debt-to-capital ratio below 100%. Except for the above, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements.

## Notes to the Financial Statements *(Continued)*

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### **(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, other financial assets, trading securities, cash and cash equivalents and loans to an associate. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers in its toys and model trains business. In respect of the Group's property investment business, deposits of two to three months' rent are normally required from lessees.

## Notes to the Financial Statements (Continued)

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (a) Credit risk (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentration of credit risk primarily arises when the Group has significant exposure to individual customers. At the end of the reporting period, 29.76% (2020: 12.70%) and 32.20% (2020: 40.38%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively.

Investments in other financial assets and trading securities are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes. Cash and cash equivalents are normally placed with counterparties that have sound credit ratings.

The Group monitors the loans to an associate on an on-going basis. During the year ended 31 December 2021, loss allowance of HK\$4,640,000 (2020: HK\$4,169,000) in respect of loans to an associate was recognised in profit or loss. The credit quality of fair value of loans to an associate has been assessed with reference to external credit ratings (if available) or to historical information about the counterparty default rates.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2021		
	Expected loss	Gross carrying amount	Loss allowance
	%	HK\$'000	HK\$'000
Neither past due nor impaired	0.3%	51,873	135
Less than 1 month past due	0.2%	19,624	32
1 to 3 months past due	1.5%	2,851	43
More than 3 months but less than 12 months past due	13.4%	4,303	577
More than 12 months past due	84.9%	1,901	1,613
		<u>80,552</u>	<u>2,400</u>

## Notes to the Financial Statements *(Continued)*

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

#### (a) Credit risk *(continued)*

	2020		
	Expected loss %	Gross carrying amount <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>
Neither past due nor impaired	0.3%	73,562	187
Less than 1 month past due	0.3%	11,846	32
1 to 3 months past due	2.0%	2,174	43
More than 3 months but less than 12 months past due	14.9%	2,079	310
More than 12 months past due	92.5%	1,743	1,613
		<u>91,404</u>	<u>2,185</u>

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

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	2,185	2,103
Exchange adjustments	(6)	5
Amounts written off during the year	(10)	–
Addition of impairment losses during the year <i>(note 5(c))</i>	231	77
At the end of the year	<u>2,400</u>	<u>2,185</u>

## Notes to the Financial Statements *(Continued)*

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

#### **(b) Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management including the short term investment of cash surpluses. 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 financial institutions to meet its liquidity requirements in the short and longer term.

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

For the term loans subject to repayment on demand clauses which can be exercised at the lender's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke to unconditional rights to call the loans with immediate effect.

## Notes to the Financial Statements (Continued)

## 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

## (b) Liquidity risk (continued)

	2021							2020						
	Total contractual undiscounted cash outflow							Total contractual undiscounted cash outflow						
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Creditors and accrued charges	-	88,409	-	-	-	88,409	88,409	-	70,860	-	-	-	70,860	70,860
Amount due to related companies	-	839	-	-	-	839	839	-	869	-	-	-	869	869
Amount due to an associate	-	37,095	-	-	-	37,095	37,095	-	33,286	-	-	-	33,286	33,286
Rental deposits	-	12,784	3,623	-	-	16,407	16,407	-	12,154	3,623	-	-	15,777	15,777
Bank loans	-	364,924	3,864	3,389	11,320	383,497	375,790	-	311,725	10,401	2,706	-	324,832	324,351
Lease liabilities	-	10,739	10,625	27,006	2,175	50,545	44,458	-	11,317	11,115	27,941	10,538	60,911	54,322
	-	514,790	18,112	30,395	13,495	576,792	562,998	-	440,211	25,139	30,647	10,538	506,535	499,465
Adjustments to present cash flows on bank loans based on lender's right to demand repayment	360,961	(364,163)	(3,102)	(1,105)	(298)	(7,707)		324,351	(311,725)	(10,401)	(2,706)	-	(481)	
Adjustment to future interest expenses	-	(1,991)	(1,635)	(2,454)	(7)	(6,087)		-	(2,088)	(1,594)	(2,666)	(241)	(6,589)	
	<u>360,961</u>	<u>148,636</u>	<u>13,375</u>	<u>26,836</u>	<u>13,190</u>	<u>562,998</u>		<u>324,351</u>	<u>126,398</u>	<u>13,144</u>	<u>25,275</u>	<u>10,297</u>	<u>499,465</u>	

As shown in the above analysis, bank loans of the Group amounting to HK\$364,924,000 are due to be repaid during 2022. The short-term liquidity risk inherent in this contractual maturity date was addressed at the time the loans were drawn. The Group will in due course commence refinancing of its bank loans which are due for maturity in December 2021. Based on the Group's past ability to financing and good relationship with a number of financial institutions, the Group expects to have adequate source of funding to finance and manage its liquidity position.

## Notes to the Financial Statements (Continued)

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group monitors the level of its variable rate borrowings and manages the contractual terms of the interest-bearing financial assets and liabilities. For this purpose the Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments (excluding cash held for short-term working capital purposes). The Group's interest rate profile as monitored by management is set out in (i) below.

##### (i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

	Note	2021		2020	
		Effective interest rate	Amount	Effective interest rate	Amount
		%	HK\$'000	%	HK\$'000
<b>Fixed rate borrowings:</b>					
Bank loans	22	–	–	1.00	4,632
Lease liabilities	23	4.00	44,458	4.00	54,322
<b>Variable rate borrowings:</b>					
Bank loans	22	1.58	375,790	1.59	319,719

##### (ii) Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately HK\$3,134,000 (2020: increased/decreased the Group's loss after taxation and retained profits by approximately HK\$2,670,000). Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

## Notes to the Financial Statements *(Continued)*

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

#### (c) Interest rate risk *(continued)*

##### (ii) Sensitivity analysis *(continued)*

The sensitivity analysis above indicates the annualised impact on Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at the end of the reporting period. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the consolidated financial statements. The analysis has been performed on the same basis for 2020.

#### (d) Currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Renminbi Yuan ("RMB"), Sterling Pounds ("GBP"), Japanese Yen ("JPY"), Euro ("EUR") and Australian dollar ("AUD").

The Group's operations outside Hong Kong do not undertake significant transactions in a currency other than their respective functional currencies. Funds are retained by the operations outside Hong Kong for use within the respective operations.

##### (i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2021					
	USD '000	RMB '000	GBP '000	JPY '000	EUR '000	AUD '000
Other financial assets	4,893	–	–	–	133	136
Trading securities	320	–	–	83,443	–	–
Trade and other receivables	348	331	–	–	234	–
Cash and cash equivalents	790	234	14	850	999	–
Trade and other payables	(41)	(1,326)	–	(770)	–	–
Bank loans	–	–	1,424	–	–	–
Net exposure arising from recognised assets and liabilities	<u>6,310</u>	<u>(761)</u>	<u>1,438</u>	<u>83,523</u>	<u>1,366</u>	<u>136</u>
HK\$ equivalent	<u>49,212</u>	<u>(930)</u>	<u>14,977</u>	<u>5,642</u>	<u>11,979</u>	<u>766</u>

## Notes to the Financial Statements (Continued)

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (d) Currency risk (continued)

##### (i) Exposure to currency risk (continued)

	2020					
	USD '000	RMB '000	GBP '000	JPY '000	EUR '000	AUD '000
Other financial assets	4,779	–	–	–	129	–
Trading securities	–	–	–	51,315	–	–
Trade and other receivables	226	264	–	–	105	–
Cash and cash equivalents	1,093	156	1,014	28,744	419	–
Trade and other payables	(143)	(1,326)	–	(770)	–	–
Net exposure arising from recognised assets and liabilities	<u>5,955</u>	<u>(906)</u>	<u>1,014</u>	<u>79,289</u>	<u>653</u>	<u>–</u>
HK\$ equivalent	<u>46,450</u>	<u>(1,074)</u>	<u>10,569</u>	<u>5,907</u>	<u>6,166</u>	<u>–</u>

## Notes to the Financial Statements *(Continued)*

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

#### (d) Currency risk *(continued)*

##### (ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation (and retained profits) and other components of consolidated equity that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and USD would be materially unaffected by any changes in movement in value of USD against other currencies.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after taxation and (decrease)/ increase in retained profits HK\$'000	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after taxation and(decrease)/ increase in retained profits HK\$'000
RMB	5% (5%)	(39) 39	5% (5%)	(44) 44
GBP	5% (5%)	607 (607)	5% (5%)	441 (441)
JPY	5% (5%)	236 (236)	5% (5%)	247 (247)
EUR	5% (5%)	487 (487)	5% (5%)	251 (251)
AUD	5% (5%)	32 (32)	– –	– –

## Notes to the Financial Statements *(Continued)*

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

#### **(d) Currency risk** *(continued)*

##### *(ii) Sensitivity analysis (continued)*

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/loss after taxation and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2020.

#### **(e) Equity price risk**

The Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see notes 16 and 17). Other than the unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed both in and outside Hong Kong. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

## Notes to the Financial Statements (Continued)

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (e) Equity price risk (continued)

At 31 December 2021, it is estimated that changes in the relevant stock market indices (for listed investments) with all other variables held constant, would have increased/decreased the Group's loss after taxation (and retained profits) and other components of consolidated equity as follows:

	2021		
	Increase/ (decrease) in the relevant risk variable	Increase/ (decrease) in retained profits HK\$'000	Increase/ (decrease) in profit after taxation HK\$'000
<b>Stock market index in respect of listed investments:</b>			
Nikkei 225	5% (5%)	235 (235)	235 (235)
Hang Seng Index	14% (14%)	595 (595)	595 (595)
S&P Global Natural Resources Index	20% (20%)	351 (351)	351 (351)
SSE Composite Index	5% (5%)	103 (103)	103 (103)
Dow Jones Index	19% (19%)	396 (396)	396 (396)

	2020		
	Increase/ (decrease) in the relevant risk variable	Increase/ (decrease) in retained profits HK\$'000	Decrease/ (increase) in loss after taxation HK\$'000
<b>Stock market index in respect of listed investments:</b>			
Nikkei 225	16% (16%)	511 (511)	511 (511)
Hang Seng Index	3% (3%)	256 (256)	256 (256)
S&P Global Natural Resources Index	3% (3%)	41 (41)	41 (41)
SSE Composite Index	14% (14%)	351 (351)	351 (351)

## Notes to the Financial Statements *(Continued)*

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

#### **(e) Equity price risk *(continued)***

The sensitivity analysis indicates the instantaneous change in the Group's loss after taxation and retained profits that would have arisen assuming that the changes in the stock market indices had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical movement with the relevant stock market indices, and that all other variables remain constant. The analysis has been performed on the same basis for 2020.

#### **(f) Fair value measurement**

##### *(i) Financial assets and liabilities measured at fair value*

###### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

## Notes to the Financial Statements (Continued)

## 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

## (f) Fair value measurement (continued)

## (i) Financial assets and liabilities measured at fair value (continued)

## Fair value hierarchy (continued)

	Fair value as at 31 December 2021  HK\$'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Other financial assets				
– Listed equity securities	5,390	5,390	–	–
– Unlisted equity securities	17,139	–	15,579	1,560
– Listed debt securities	548	548	–	–
– Unlisted debt securities	22,468	–	–	22,468
	<b>45,545</b>	<b>5,938</b>	<b>15,579</b>	<b>24,028</b>
Trading securities				
– Listed equity securities	13,224	13,224	–	–
	<b>58,769</b>	<b>19,162</b>	<b>15,579</b>	<b>24,028</b>
	Fair value as at 31 December 2020  HK\$'000	Fair value measurements as at 31 December 2020 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Other financial assets				
– Listed equity securities	5,825	5,825	–	–
– Unlisted equity securities	20,854	–	19,294	1,560
– Unlisted debt securities	14,820	–	–	14,820
	41,499	5,825	19,294	16,380
Trading securities				
– Listed equity securities	14,047	14,047	–	–
	<b>55,546</b>	<b>19,872</b>	<b>19,294</b>	<b>16,380</b>

## Notes to the Financial Statements (Continued)

### 28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (f) Fair value measurement (continued)

##### (i) Financial assets and liabilities measured at fair value (continued)

###### Fair value hierarchy (continued)

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

###### Information about Level 2 fair value measurements

The fair value is based on price quoted by financial institutions.

###### Information about Level 3 fair value measurements

The Group's Level 3 financial instruments represent unlisted equity and debt securities which their fair values are based on unobservable inputs. The directors perform the valuation on Level 3 financial instruments for financial reporting purposes. Their fair values have been determined with reference to the pricing of the recent transactions.

The movement during the year in the balance of these Level 3 fair value measurements is as follows:

	<b>Unlisted equity securities HK\$'000</b>	<b>Unlisted debt securities HK\$'000</b>
Balance as at 1 January 2020	1,560	7,020
Payment for purchases	—	7,800
	<hr/>	<hr/>
Balance as at 31 December 2020	1,560	14,820
Payment for purchases	—	4,666
Net unrealised gains recognised in profit or loss during the period	—	2,982
	<hr/>	<hr/>
Balance as at 31 December 2021	<u>1,560</u>	<u>22,468</u>

The gains arising from the fair value measurement of the Group's unlisted debt securities are presented in the "other revenue and other net (loss)/income" line item in the consolidated profit or loss.

##### (ii) Fair values of financial instruments carried at other than fair value

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2021 and 2020.

## Notes to the Financial Statements *(Continued)*

### 29 COMMITMENTS

Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Contracted for the purchase of property, plant and equipment	<b><u>76,537</u></b>	<u>20,866</u>

### 30 EMPLOYEE RETIREMENT BENEFITS

In Hong Kong, the Group operates a defined contribution pension scheme (“ORSO scheme”) for all qualifying employees. Effective from 1 December 2000, all Hong Kong based employees were also covered under a Mandatory Provident Fund (“MPF”) scheme, and the existing ORSO scheme was modified to provide extra benefits for existing and new employees. The amounts of employer’s and employees’ contributions to the ORSO scheme are reduced by the amount required to be paid to the MPF scheme. The contributions to the ORSO scheme are supplementary contributions, over and above the minimum MPF requirements. The assets of the ORSO scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the ORSO scheme, the employees are required to make contributions to the ORSO scheme calculated at 5% of their basic salaries on a monthly basis whilst the employer’s contributions vary with the number of years of service of the employees from 5% to 10% of the basic monthly salary. The employees are entitled to 100% of the employer’s contributions to the ORSO scheme and the accrued interest after 10 complete years’ service, or at an increasing scale of between 50% and 90% after completion of 5 to 9 years’ service.

Where there are employees who leave the ORSO scheme prior to vesting fully in the contributions, in accordance with the rules of the ORSO scheme, the forfeited employer’s contributions shall be used to reduce the future contributions of the employer.

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees’ final salary and years of service, and is reduced by entitlements accrued under the retirement schemes of the Group that are attributable to contributions made by the Group.

Subsidiaries incorporated in the PRC participate in the defined contribution retirement schemes operated by the local authorities for employees in the PRC. Contributions to these schemes are charged to profit or loss when incurred.

## Notes to the Financial Statements *(Continued)*

### 30 EMPLOYEE RETIREMENT BENEFITS *(continued)*

Under the PRC Labour Contract Law, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees. The amount payable is dependent on the employees' final salary and years of service.

Employees in the United States of America are covered by a profit sharing plan under section 401(k) of the Internal Revenue Code covering all eligible employees. The plan provides for contributions from both the employer and eligible employees. Employer's contributions are voluntary and are determined each year at the discretion of management.

As regards employees in Europe, contributions are made by the employer to a money purchase defined contribution pension scheme for certain of its employees. The assets of the scheme are held separately by an independent administered fund.

### 31 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

- (a) Remuneration for key management personnel of the Group are disclosed in notes 7 and 8 to the financial statements.
- (b) As at 31 December 2021, the Group advanced funds totalling HK\$46,055,000 (2020: HK\$40,161,000) to certain associates in which certain directors of the Company have beneficial interests. Further details of the associates are given in note 14 to the financial statements.
- (c) During the year ended 31 December 2021, the Group acquired sanitary wares amounted to HK\$Nil from a related party in which a director of the Company has beneficial interests (2020: HK\$27,000).
- (d) During the year ended 31 December 2021, the Group received rental and other income amounted to HK\$705,000 from related parties in which certain directors of the Company have beneficial interests (2020: HK\$1,145,000).

## Notes to the Financial Statements (Continued)

## 32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Interest in subsidiaries		783,876	883,448
<b>Current assets</b>			
Trade and other receivables		189	360
Cash and cash equivalents		378	240
		567	600
<b>Current liabilities</b>			
Trade and other payables		2,534	2,454
Tax payable		–	20
		2,534	2,474
<b>Net current liabilities</b>		<b>(1,967)</b>	<b>(1,874)</b>
<b>NET ASSETS</b>		<b>781,909</b>	<b>881,574</b>
<b>CAPITAL AND RESERVES</b>			
	27(a)		
Share capital		95,059	95,059
Reserves		686,850	786,515
<b>TOTAL EQUITY</b>		<b>781,909</b>	<b>881,574</b>

## Notes to the Financial Statements (Continued)

### 33 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group believes the following critical accounting policies involves the most significant judgements and estimates used in the preparation of the financial statements.

#### (a) Valuation of investment properties

The fair valuation of the Group's investment properties is conducted by an independent firm of surveyors by either making reference to comparable sales evidence in the relevant locality, or otherwise, by capitalising the current rent derived from the existing tenancies with provision for any reversionary income potential. The valuation model used by the property valuer makes use of market inputs. Should changes be made to these market inputs, the corresponding investment property valuation would change.

#### (b) Impairment of other property, plant and equipment

If circumstances indicate that the carrying amounts of other property, plant and equipment may not be recoverable, the assets may be considered "impaired" and are tested for impairment in accordance with HKAS 36, *Impairment of assets*. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. The asset's recoverable amount will also be estimated if circumstances indicate that an impairment loss previously recognised no longer exists or may have decreased. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. In determining the recoverable amount, significant judgements are required and the Group uses all readily available information, including estimates based on reasonable and supportable assumptions, projections of sale volume and operating costs or other market data, to arrive at an amount that is a reasonable approximation of recoverable amount. Any adverse changes in the assumptions used in determining the recoverable amount would cause the carrying amount of the asset to be significantly different from the recoverable amount.

#### (c) Write-down of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analyses and projections of expected future saleability of goods based on management experience and judgement. Based on this review, a write-down of inventories will be made when the estimated net realisable value of inventories decline below their carrying amounts. Due to changes in customers' preferences, actual salability of goods may be different from estimations and profit or loss in future accounting periods could be affected by differences in these estimations.

## Notes to the Financial Statements *(Continued)*

### 34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

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

## Group Properties

Details of the major property of the Group are as follows:

<b>Location</b>	<b>Existing use</b>	<b>Term of lease</b>
<b>Major property held for investment</b>		
The whole of Ground Floor, a portion of First Floor, the whole of Second, Third, Fourth Floors, a portion of Fifth, Sixth Floors, the whole of Seventh, Eighth, Ninth, Tenth Floors, a portion of Eleventh Floor, Kader Building, 22 Kai Cheung Road Kowloon Bay, Kowloon HONG KONG	Industrial and office rental	Medium-term

## Five-Year Summary

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>		<b>397,330</b>	372,293	444,147	663,688	823,451
Profit/(loss) from operations	1,2	<b>22,801</b>	(11,267)	(23,849)	55,105	165,220
Finance costs		<b>(7,084)</b>	(9,865)	(12,387)	(7,781)	(7,152)
Share of profits less losses of associates		<b>(1,202)</b>	(41,851)	(25,331)	25,593	10,323
Impairment loss of loans to an associate		<b>(4,640)</b>	(4,169)	(3,025)	–	–
Surplus/(deficit) on revaluation of investment properties		<b>44,188</b>	(43,059)	51,532	142,888	186,372
<b>Profit/(loss) before taxation</b>		<b>54,063</b>	(110,211)	(13,060)	215,805	354,763
Income tax (expense)/credit	1	<b>(7,135)</b>	715	(981)	(34,401)	(26,956)
<b>Profit/(loss) for the year</b>		<b><u>46,928</u></b>	<b><u>(109,496)</u></b>	<b><u>(14,041)</u></b>	<b><u>181,404</u></b>	<b><u>327,807</u></b>
<b>Attributable to:</b>						
Equity shareholders of the Company		<b>45,942</b>	(110,366)	(14,364)	181,750	321,748
Non-controlling interests		<b>986</b>	870	323	(346)	6,059
<b>Profit/(loss) for the year</b>		<b><u>46,928</u></b>	<b><u>(109,496)</u></b>	<b><u>(14,041)</u></b>	<b><u>181,404</u></b>	<b><u>327,807</u></b>
<b>Earnings/(loss) per share</b>						
Basic		<b>4.83¢</b>	(11.61)¢	(1.51)¢	19.12¢	33.85¢
Diluted		<b>4.83¢</b>	(11.61)¢	(1.51)¢	19.12¢	33.85¢

## Five-Year Summary (Continued)

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Assets and liabilities</b>						
Property, plant and equipment	1	<b>2,289,850</b>	2,196,922	2,233,430	2,091,060	1,926,237
Intangible assets		<b>385</b>	419	366	399	1,041
Interest in associates		<b>65,044</b>	55,372	82,855	89,248	64,052
Other financial assets		<b>45,545</b>	41,499	24,955	13,941	28,828
Deposits and prepayments		<b>22,447</b>	8,855	2,028	14,708	16,151
Deferred tax assets	1	<b>8,039</b>	6,272	9,709	6,494	11,633
Non-current assets		<b>2,431,310</b>	2,309,339	2,353,343	2,215,850	2,047,942
Net current (liabilities)/assets	1	<b>(82,975)</b>	(34,983)	46,168	107,678	114,846
<b>Total assets less current liabilities</b>		<b>2,348,335</b>	2,274,356	2,399,511	2,323,528	2,162,788
<b>Non-current liabilities</b>	1	<b>(78,803)</b>	(68,801)	(83,442)	(28,426)	(32,485)
<b>NET ASSETS</b>		<b><u>2,269,532</u></b>	<b><u>2,205,555</u></b>	<b><u>2,316,069</u></b>	<b><u>2,295,102</u></b>	<b><u>2,130,303</u></b>
<b>CAPITAL AND RESERVES</b>						
Share capital		<b>95,059</b>	95,059	95,059	95,059	95,059
Reserves		<b>2,169,527</b>	2,106,674	2,218,284	2,197,581	2,032,307
Total equity attributable to equity shareholders of the Company		<b>2,264,586</b>	2,201,733	2,313,343	2,292,640	2,127,366
Non-controlling interests		<b>4,946</b>	3,822	2,726	2,462	2,937
<b>TOTAL EQUITY</b>		<b><u>2,269,532</u></b>	<b><u>2,205,555</u></b>	<b><u>2,316,069</u></b>	<b><u>2,295,102</u></b>	<b><u>2,130,303</u></b>

## Five-Year Summary (Continued)

### Notes to the Five-Year Summary

- 1 As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.
- 2 The Group adopted HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9 *Prepayment features with negative compensation*, from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.