1. CORPORATE AND GROUP INFORMATION

Tysan Holdings Limited is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.

During the year, the Group was involved in the following principal activities:

- foundation piling and site investigation
- property development and investment
- investment

There were no significant changes in the nature of the Group's principal activities during the year.

The immediate holding company of the Company is Times Holdings II Limited ("Times Holdings II"), which is incorporated in the Cayman Islands and ultimately controlled by The Blackstone Group Inc., a company listed on The New York Stock Exchange and considered as the ultimate holding company of the Company.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued share/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2020	2019	
Tysan Foundation (Hong Kong) Limited	Hong Kong	Ordinary HK$100	**100**	100	Investment holding
Tysan Construction (Macau) Limited (note 1)	Macau	Ordinary MOP25,000	**100**	100	Foundation piling
Tysan Foundation Limited (notes 1 and 2)	Hong Kong	Ordinary HK$141,000,000 Deferred HK$3,000,000	**100**	100	Foundation piling and site investigation
Tysan Foundation Geotechnical Limited (notes 1 and 4)	Hong Kong	Ordinary HK$110,110,000	**100**	100	Foundation piling and site investigation
Tysan Machinery Hire Limited (notes 1 and 2)	Hong Kong	Ordinary HK$10,000 Deferred HK$200,000	**100**	100	Machinery hiring
Proficiency Equipment Limited (note 1)	Hong Kong	Ordinary HK$24,480,000	**100**	100	Machinery hiring and trading
Proficiency Engineering Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Provision of engineering services and machinery hiring
Lion Bright Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Machinery hiring and trading

1. CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information about subsidiaries *(Cont'd)*

Particulars of the Company's principal subsidiaries are as follows: *(Cont'd)*

Name	Place of incorporation/ registration and business	Issued share/ paid-up registered capital	Percentage of equity attributable to the Company 2020	2019	Principal activities
Mac Proficiency Limited (note 1)	Macau	Ordinary MOP25,000	**100**	100	Provision of engineering services and machinery hiring
Tysan Management Limited (note 2)	Hong Kong	Ordinary HK$16,720,850 Deferred HK$2	**100**	100	Corporate management
Tysan Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Tysan Property Development & Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Top Class Properties Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Property holding
Sure Faith Investment Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Property holding
Duncan Properties Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Federated Resources Limited (note 1)	British Virgin Islands	Ordinary US$100	**100**	100	Investment holding
Carriway Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Shanghai Changning Duncan Property Consulting Company Limited (notes 1 and 3)	PRC/Mainland China	RMB200,000	**100**	100	Property consulting

Notes:

1. Held through subsidiaries.

2. The deferred shares carry no rights to dividends (other than a fixed non-cumulative dividend at the rate of 5% per annum for any financial year during which the net profit of the relevant company available for dividends exceeds HK$1 billion), no rights to vote at general meetings, no rights to receive any surplus on a return of capital on a winding-up (other than the amount paid up on such shares, provided that the holders of the ordinary shares of that company have been distributed in such a winding-up of a sum of HK$1,000 billion in respect of each ordinary share).

3. This entity is registered as a wholly-foreign-owned enterprise under the PRC law.

4. During the year, this entity's issued share capital was increased from HK$60,110,000 to HK$110,110,000.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021

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

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

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

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had an interest-bearing bank borrowing denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 31 December 2020. If the interest rate of this borrowing is replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of this borrowing when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes. The amendments are not expected to have any significant impact on the Group's financial statements.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, properties under development, properties held for sale, inventories, contract assets, deferred tax assets, financial assets and disposal groups classified as held for sale), the asset's recoverable amount is calculated as the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of non-financial assets *(Cont'd)*

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment and depreciation

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

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

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

Building	5%
Equipment and machinery	10% – 33⅓%
Furniture and fixtures	20%
Motor vehicles	20%
Leasehold improvements	10% – 33⅓%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Investment properties

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Properties under development

Properties under development which are developed in the ordinary course of business are included in current assets at the lower of cost and net realisable value.

The cost of properties under development comprises land cost, construction costs, professional fees, borrowing costs capitalised according to the Group's policy and other directly attributable expenses incurred during the development period. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

On completion of construction, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost includes the cost of land, interest capitalised during the period of development and other direct costs attributable to the development of the properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis, less all costs to completion, if applicable, and costs of marketing and selling.

Leases

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

Group as a lessee

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leases *(Cont'd)*

Group as a lessee *(Cont'd)*

(a) Right-of-use assets

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

Leasehold land	35 to 40 years
Buildings	2 to 3 years
Machinery	14 to 16 months

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

(b) Lease liabilities

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

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

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office properties, warehouses and machinery (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leases *(Cont'd)*

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets *(Cont'd)*

Initial recognition and measurement *(Cont'd)*

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of financial assets *(Cont'd)*

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Derecognition of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and retention payables, other payables, interest-bearing bank borrowings and guaranteed notes.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial liabilities *(Cont'd)*

Subsequent measurement *(Cont'd)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Income tax *(Cont'd)*

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(a) Machinery trading

Revenue from machinery trading is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the machineries.

(b) Sales of properties held for sale

Revenue from sales of properties held for sale is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

(c) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(d) Machinery engineering services

Revenue from the provision of machinery engineering services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(e) Provision of fund management services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition *(Cont'd)*

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Employee benefits *(Cont'd)*

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operated a defined contribution provident fund (the "Fund") for certain of its employees in Hong Kong, the assets of which were held separately from those of the Group and were managed by an independent professional fund manager. Contributions under the Fund were made based on a percentage of the eligible employees' basic salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the scheme. The ongoing contributions to the Fund were terminated on 1 April 1999.

Following the introduction of the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme"), the Group has restructured its retirement scheme arrangements to comply with the Mandatory Provident Fund Schemes Ordinance. The Group has secured a Mandatory Provident Fund exemption status for the Fund and, in addition, has participated in an approved defined contribution MPF Scheme with effect from 1 December 2001, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Cont'd)*

Judgement *(Cont'd)*

Current and deferred tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made. Further details are disclosed in notes 10 and 26 to the financial statements.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns and actual default cases.

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 16 and 17 to the financial statements, respectively.

Percentage of completion of construction works

The Group recognises revenue according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works based on actual costs incurred over the total budgeted costs. Corresponding contract revenue was also estimated by management based on contract sum and work values from variation works. Because of the nature of the activities undertaken for the construction contracts, the date at which the contracts are entered into and the date when the contracts are completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses.

When determining the total budgeted costs, management makes reference to information such as (i) current or recent offers from subcontractors and suppliers, (ii) variation orders received from customers, and (iii) estimation on material costs, labour costs and other costs for the completion of the projects provided by quantity survey department.

4. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with internal reporting to the Company's key management personnel as follows:

(a) the foundation piling segment (including site investigation operation);

(b) the property development and investment segment;

(c) the investment segment; and

(d) the "corporate and others" segment comprises, principally, the Group's corporate operation, and machinery leasing and trading businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax.

The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income and non-lease related finance costs are excluded from such measurement.

Segment assets exclude deferred tax assets, tax prepaid and time deposits as these assets are managed on a group basis.

Segment liabilities exclude dividend payable, interest-bearing bank borrowings, guaranteed notes, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

For the years ended 31 December 2020 and 2019

	Foundation piling		Property development and investment		Investment		Corporate and others		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue: (note 5)										
Sales to external customers	**3,017,754**	2,532,107	**–**	76,162	**–**	75,082	**36,359**	37,927	**3,054,113**	2,721,278
Intersegment sales	**–**	103,208	**–**	–	**–**	–	**–**	–	**–**	103,208
Other income and gains, net	**43,217**	2,322	**1,454**	6,662	**–**	149,612	**3,431**	1,192	**48,102**	159,788
Total	**3,060,971**	2,637,637	**1,454**	82,824	**–**	224,694	**39,790**	39,119	**3,102,215**	2,984,274
Reconciliation:										
Elimination of intersegment sales									**–**	(103,208)
Revenue									**3,102,215**	2.881,066
Segment results	**(31,622)**	(56,924)	**(1,901)**	(694,596)	**(383)**	217,900	**(79,128)**	(234,655)	**(113,034)**	(768,275)
Interest income									**10,677**	84,470
Finance costs (other than interest on lease liabilities)									**(3,982)**	(40,278)
Loss before tax									**(106,339)**	(724,083)
Income tax credit/(expense)									**1,457**	(42,570)
Loss for the year									**(104,882)**	(766,653)
Assets and liabilities										
Segment assets	**1,622,436**	1,622,498	**3,262**	409,842	**–**	29,082	**267,131**	563,777	**1,892,829**	2,625,199
Unallocated									**374,439**	2,274,458
									2,267,268	4,899,657
Segment liabilities	**708,741**	616,051	**735**	3,277	**–**	250	**41,124**	59,289	**750,600**	678,867
Unallocated									**83,541**	1,898,924
									834,141	2,577,791

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

For the years ended 31 December 2020 and 2019

	Foundation piling		Property development and investment		Investment		Corporate and others		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Depreciation of property, plant and equipment	**41,035**	39,564	**–**	42	**–**	–	**10,229**	12,227	**51,264**	51,833
Depreciation of right-of-use assets	**6,694**	5,872	**10**	10	**–**	–	**8,555**	9,674	**15,259**	15,556
Impairment of right-of-use assets	**–**	–	**–**	–	**–**	–	**–**	17,757	**–**	17,757
Impairment of trade receivables	**–**	–	**–**	–	**–**	–	**353**	985	**353**	985
Impairment of other receivables	**–**	–	**–**	–	**–**	1,174	**–**	–	**–**	1,174
Write-down of inventories to net realisable value	**–**	–	**–**	–	**–**	–	**–**	1,351	**–**	1,351
Write-off of inventories	**–**	–	**–**	–	**–**	–	**272**	101	**272**	101
Loss/(gain) on disposal and write-off of items of property, plant and equipment, net	**8,760**	4,502	**–**	–	**–**	–	**(1,050)**	138	**7,710**	4,640
Loss/(gain) on disposal of subsidiaries, net	**–**	–	**–**	567,469	**–**	–	**(33,930)**	–	**(33,930)**	567,469
Changes in fair value of an investment property	**–**	–	**–**	105,000	**–**	–	**–**	–	**–**	105,000
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**–**	–	**–**	–	**–**	(149,612)	**–**	52,741	**–**	(96,871)
Capital expenditure	**73,502**	83,198	**–**	–	**–**	–	**1,539**	1,134	**75,041**	84,332

Geographical information

(a) Revenue from external customers

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**3,054,113**	2,649,404	**–**	71,874	**3,054,113**	2,721,278

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	295,094	297,437	**–**	–	**295,094**	297,437

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

Information about major customers

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

	2020	2019
	HK$'000	*HK$'000*
Customer A[1]	**518,152**	N/A[2]
Customer B[1]	**313,743**	N/A[2]
Customer C[1]	**N/A[2]**	388,329

[1] Revenue was derived from foundation piling segment.

[2] The corresponding revenue did not contribute over 10% of the Group's revenue.

5. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers	**3,039,187**	2,703,374
Revenue from other sources		
Gross rental income from properties held for sale and investment property operating leases	**–**	7,850
Gross rental income from machinery leasing	**14,926**	10,054
	3,054,113	2,721,278

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Foundation piling *HK$'000*	Property development and investment *HK$'000*	Investment *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Types of goods or services					
Machinery trading	–	–	–	36	36
Construction services	3,017,754	–	–	–	3,017,754
Machinery engineering services	–	–	–	21,397	21,397
Total revenue from contracts with customers	3,017,754	–	–	21,433	3,039,187
Geographical markets					
Hong Kong	3,017,754	–	–	21,433	3,039,187
Timing of revenue recognition					
Good transferred at a point of time	–	–	–	36	36
Services transferred over time	3,017,754	–	–	21,397	3,039,151
Total revenue from contracts with customers	3,017,754	–	–	21,433	3,039,187

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(i) **Disaggregated revenue information** *(Cont'd)*

For the year ended 31 December 2019

Segments	Foundation piling *HK$'000*	Property development and investment *HK$'000*	Investment *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Types of goods or services					
Machinery trading	–	–	–	1,435	1,435
Sale of properties held for sale	–	68,312	–	–	68,312
Construction services	2,532,107	–	–	–	2,532,107
Machinery engineering services	–	–	–	26,438	26,438
Management services	–	–	75,082	–	75,082
Total revenue from contracts with customers	2,532,107	68,312	75,082	27,873	2,703,374
Geographical markets					
Hong Kong	2,532,107	–	75,082	27,873	2,635,062
Mainland China	–	68,312	–	–	68,312
Total revenue from contracts with customers	2,532,107	68,312	75,082	27,873	2,703,374
Timing of revenue recognition					
Good transferred at a point of time	–	68,312	–	1,435	69,747
Services transferred over time	2,532,107	–	75,082	26,438	2,633,627
Total revenue from contracts with customers	2,532,107	68,312	75,082	27,873	2,703,374

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(i) Disaggregated revenue information *(Cont'd)*

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2020

Segments	**Foundation piling** *HK$'000*	**Property development and investment** *HK$'000*	**Investment** *HK$'000*	**Corporate and others** *HK$'000*	**Total** *HK$'000*
Revenue from contracts with customers					
Total revenue from contracts with customers	**3,017,754**	**–**	**–**	**21,433**	**3,039,187**

For the year ended 31 December 2019

Segments	Foundation piling *HK$'000*	Property development and investment *HK$'000*	Investment *HK$'000*	Corporate and others *HK$'000*	Total *HK$'000*
Revenue from contracts with customers					
External customers	2,532,107	68,312	75,082	27,873	2,703,374
Intersegment sales	103,208	–	–	–	103,208
	2,635,315	68,312	75,082	27,873	2,806,582
Intersegment adjustments and eliminations	(103,208)	–	–	–	(103,208)
Total revenue from contracts with customers	2,532,107	68,312	75,082	27,873	2,703,374

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 *HK$'000*	2019 *HK$'000*
Construction services	**13,979**	23,199

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Machinery trading

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 days from delivery.

Sale of properties held for sale

The performance obligation is satisfied when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property and payment is due upon delivery of the property to the customer.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Machinery engineering services

The performance obligation is satisfied over time as the customer simultaneously receives and consumes the support services as the Group continues to provide support services to the customer.

Management services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one year or less, and are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**1,775,454**	2,490,902
After one year	**879,421**	550,651
	2,654,875	3,041,553

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services and machinery engineering services, of which the performance obligations are mainly to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Other income and gains

	2020 **HK$'000**	2019 *HK$'000*
Interest income	**10,677**	84,470
Insurance claims	**543**	1,274
Subsidy income*	**43,638**	–
Gain on lease modification	**25**	–
Fair value gain on financial assets at fair value through profit or loss	**–**	149,612
Others	**3,896**	8,902
	58,779	244,258

* There were no unfulfilled conditions or contingencies relating to this income.

6. FINANCE COSTS

	2020 **HK$'000**	2019 *HK$'000*
Interest on bank borrowings	**2,048**	20,322
Interest on other borrowings	**–**	15,633
Interest on guaranteed notes	**1,934**	17,864
Interest on loans from related companies	**–**	3,713
Interest on lease liabilities	**793**	1,761
	4,775	59,293
Less: Interest capitalised in properties under development	**–**	(17,254)
Less: Interest included in cost of sales	**(143)**	(47)
	4,632	41,992

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Cost of properties and inventories sold		**54**	61,079
Cost of services rendered		**3,116,764**	2,645,546
Depreciation of property, plant and equipment	13	**51,264**	51,833
Depreciation of right-of-use assets	14(a)	**15,259**	15,556
Lease payments not included in the measurement of lease liabilities	14(c)	**20,423**	15,655
Auditor's remuneration		**1,800**	2,823
Employee benefit expense (including directors' remuneration – note 8):			
Wages and salaries		**400,498**	489,742
Equity-settled share option expense		**–**	14,425
Pension scheme contributions		**12,282**	14,560
		412,780	518,727
Foreign exchange losses, net*		**25,564**	2,648
Impairment of financial and contract assets, net:			
Impairment of trade receivables*	16	**353**	985
Impairment of other receivables*	18	**–**	1,174
Impairment of right-of-use assets*	14(c)	**–**	17,757
Loss on disposal and write-off of items of property, plant and equipment*		**7,710**	4,640
Fair value gain on financial assets at fair value through profit or loss*	19(a), 19(b)	**–**	(149,612)
Fair value loss on a financial asset at fair value through profit or loss*	36(a)(i)	**–**	52,741
Changes in fair value of an investment property	35	**–**	105,000
Write-down of inventories to net realisable value*		**–**	1,351
Write-off of inventories*		**272**	101
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**–**	1,723

* These amounts are included in "Other expenses, net" or "Other income and gains" in the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION

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

	2020	2019
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Non-executive directors	**–**	244
Independent non-executive directors	**1,440**	1,543
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**32,374**	60,603
Pension scheme contributions	**23**	36
	33,837	62,426

8. DIRECTORS' REMUNERATION *(Cont'd)*

The remuneration paid or payable to each of the directors is as follows:

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
2020				
Executive directors:				
Mr. Fung Chiu Chak, Victor ("Mr. Fung")	–	22,258	5	22,263
Mr. Chiu Chin Hung[1]	–	5,202	–	5,202
Mr. Lau Kin Fai[1]	–	4,914	18	4,932
	–	32,374	23	32,397
Non-executive directors:				
Mr. Justin Wai[2]	–	–	–	–
Mr. Wang Tianbing[3]	–	–	–	–
Mr. David Robert McClure[4]	–	–	–	–
Mr. Lau Che Hang Alex[5]	–	–	–	–
Mr. Wu Charles Hsing-yuan[5]	–	–	–	–
Mr. Yuen Pak Man[2]	–	–	–	–
Ms. Gu Ye[6]	–	–	–	–
Ms. Hou Xiangjia[6]	–	–	–	–
	–	–	–	–
Independent non-executive directors:				
Mr. Lung Chee Ming, George	360	–	–	360
Mr. Li Kit Chee	360	–	–	360
Ms. Chow Wai Lee[7]	180	–	–	180
Ms. Jennifer Kwok[7]	180	–	–	180
Mr. Fan Chor Ho[8]	180	–	–	180
Mr. Tse Man Bun[8]	180	–	–	180
	1,440	–	–	1,440
Total	1,440	32,374	23	33,837

8. DIRECTORS' REMUNERATION *(Cont'd)*

The remuneration paid or payable to each of the directors is as follows: *(Cont'd)*

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2019				
Executive directors:				
Mr. Fung	–	25,787	18	25,805
Mr. Sun Kin Ho Steven[9]	–	33,233	18	33,251
Mr. Chen Chao[10]	–	–	–	–
Mr. He Jiafu[10]	–	–	–	–
Mr. Liu Junchun[10]	–	1,583	–	1,583
Mr. Huang Qijun[10]	–	–	–	–
Mr. Guo Ke[10]	–	–	–	–
Mr. Zhang Peihua[10]	–	–	–	–
	–	60,603	36	60,639
Non-executive directors:				
Mr. Justin Wai[2]	–	–	–	–
Mr. Wang Tianbing[3]	–	–	–	–
Mr. David Robert McClure[4]	–	–	–	–
Mr. Lau Che Hang Alex[5]	–	–	–	–
Mr. Wu Charles Hsing-yuan[5]	–	–	–	–
Mr. Yuen Pak Man[2]	–	–	–	–
Mr. Tang King Shing[11]	122	–	–	122
Mr. Yang Han Hsiang[11]	122	–	–	122
	244	–	–	244
Independent non-executive directors:				
Mr. Lung Chee Ming, George	360	–	–	360
Mr. Li Kit Chee	360	–	–	360
Mr. Fan Chor Ho[8]	360	–	–	360
Mr. Tse Man Bun[8]	360	–	–	360
Mr. Chong Kin Ho[12]	103	–	–	103
	1,543	–	–	1,543
Total	1,787	60,603	36	62,426

8. DIRECTORS' REMUNERATION *(Cont'd)*

Notes:

1 Mr. Chiu Chin Hung and Mr. Lau Kin Fai were appointed as executive directors with effect from 1 July 2020 but their full year's remuneration packages have been included as directors' remuneration for the year ended 31 December 2020.

2 Mr. Justin Wai and Mr. Yuen Pak Man were appointed as non-executive directors with effect from 11 April 2019.

3 Mr. Wang Tianbing was appointed as a non-executive director with effect from 11 April 2019 and resigned with effect from 6 November 2020.

4 Mr. David Robert McClure was appointed as a non-executive director with effect from 11 April 2019, resigned with effect from 1 July 2020 and reappointed with effect from 6 November 2020.

5 Mr. Lau Che Hang Alex and Mr. Wu Charles Hsing-yuan were appointed as non-executive directors with effect from 11 April 2019 and resigned with effect from 1 April 2020.

6 Ms. Gu Ye and Ms. Hou Xiangjia were appointed as non-executive directors with effect from 1 April 2020.

7 Ms. Chow Wai Lee and Ms. Jennifer Kwok were appointed as independent non-executive directors with effect from 1 July 2020.

8 Mr. Fan Chor Ho and Mr. Tse Man Bun resigned as independent non-executive directors with effect from 1 July 2020.

9 Mr. Sun Kin Ho Steven resigned as an executive director with effect from 1 January 2020.

10 Mr. Chen Chao, Mr. He Jiafu, Mr. Liu Junchun, Mr. Huang Qijun, Mr. Guo Ke and Mr. Zhang Peihua resigned as executive directors with effect from 3 May 2019.

11 Mr. Tang King Shing and Mr. Yang Han Hsiang resigned as non-executive directors with effect from 3 May 2019.

12 Mr. Chong Kin Ho was appointed as an independent non-executive director with effect from 21 January 2019 and resigned with effect from 3 May 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2019: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2019: three) non-director highest paid employees are as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**6,322**	14,233
Equity-settled share option expense	**–**	4,287
Pension scheme contributions	**36**	36
	6,358	18,556

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

	Numbers of employees	
	2020	2019
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
HK$6,500,001 to HK$7,000,000	**–**	2
	2	3

During the year ended 31 December 2018, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group. Further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2019 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits of this subsidiary are taxed at 16.5%. Taxes on profits assessable elsewhere in the PRC have been calculated at the applicable tax rates prevailing in the areas in which the Group operates.

	2020	2019
	HK$'000	*HK$'000*
Current:		
Provision for tax in respect of profit for the year:		
PRC:		
Hong Kong	**87**	26,918
Elsewhere	**310**	11,864
	397	38,782
Underprovision/(overprovision) in the prior years:		
PRC:		
Hong Kong	**(535)**	1,043
Elsewhere	**(1,437)**	999
	(1,972)	2,042
Deferred tax (note 26)	**118**	1,746
Total tax charge/(credit) for the year	**(1,457)**	42,570

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the countries or regions in which the Company and the majority of its subsidiaries are domiciled to the tax charge/(credit) at the effective tax rate is as follows:

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(106,339)**	(724,083)
Tax at the statutory rates	**(18,013)**	(128,670)
Provision for land appreciation tax	**–**	4,106
Tax effect of land appreciation tax	**–**	(665)
Adjustments in respect of current tax of prior years	**(1,972)**	2,042
Income not subject to tax	**(14,585)**	(28,430)
Expenses not deductible for tax	**20,608**	185,556
Effect of withholding tax on the distributable profits of the Group's subsidiary in Mainland China	**91**	2,798
Tax losses utilised from prior years	**(884)**	(5,390)
Tax losses not recognised	**13,298**	11,223
Tax charge/(credit) at the Group's effective rate	**(1,457)**	42,570

11. DIVIDENDS

	Note	**2020** **HK$'000**	2019 *HK$'000*
Dividends declared during the year:			
2020 special – HK$0.24 per ordinary share		**807,849**	–
2019 first special – HK$1.48 per ordinary share		–	4,981,733
2019 second special – HK$0.52 per ordinary share		–	1,750,339
2019 third special – HK$0.50 per ordinary share	(a)	–	1,683,018
Interim – Nil (2019: HK$0.21 per ordinary share)		–	706,867
		807,849	9,121,957

Notes:

(a) The 2019 third special dividend of HK$0.50 per ordinary share, totalling approximately HK$1,683,018,000 was approved by the board of directors (the "Board") on 12 December 2019 and was paid on 23 January 2020. The special dividend had been recognised as a liability in the financial statements as at 31 December 2019.

(b) The Board has resolved not to recommend any final dividend in respect of the year ended 31 December 2020 (2019: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$104,882,000 (2019: HK$766,655,000), and the number of ordinary shares of 3,366,035,709 (2019: weighted average number of ordinary shares of 3,365,989,682) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020.

During the year ended 31 December 2019, no adjustment had been made to the basic loss per share amount presented in respect of a dilution as the impact of the share options had an anti-dilutive effect in the basic loss per share amount presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Equipment and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
2020						
Cost:						
At 1 January 2020	81,309	967,191	5,913	9,831	13,131	1,077,375
Additions	–	73,225	171	1,645	–	75,041
Disposals/write-off	–	(84,893)	(106)	(697)	(1,197)	(86,893)
At 31 December 2020	81,309	955,523	5,978	10,779	11,934	1,065,523
Accumulated depreciation and impairment:						
At 1 January 2020	34,894	838,927	4,674	8,461	13,122	900,078
Depreciation provided during the year	4,065	45,712	526	952	9	51,264
Disposals/write-off	–	(72,115)	(51)	(696)	(1,197)	(74,059)
At 31 December 2020	38,959	812,524	5,149	8,717	11,934	877,283
Net carrying amount:						
At 31 December 2020	42,350	142,999	829	2,062	–	188,240
At 31 December 2019	46,415	128,264	1,239	1,370	9	177,297

13. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Building *HK$'000*	Equipment and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Motor yacht *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
2019							
Cost:							
At 1 January 2019	81,309	923,978	5,816	14,143	6,012	18,772	1,050,030
Additions	–	83,809	223	300	–	–	84,332
Acquisition of subsidiaries	–	–	691	–	–	524	1,215
Disposals/write-off	–	(40,596)	(385)	(4,612)	(6,012)	(5,641)	(57,246)
Disposal of subsidiaries	–	–	(432)	–	–	(524)	(956)
At 31 December 2019	81,309	967,191	5,913	9,831	–	13,131	1,077,375
Accumulated depreciation and impairment:							
At 1 January 2019	30,829	830,473	4,233	11,568	6,012	15,953	899,068
Acquisition of subsidiaries	–	–	623	–	–	418	1,041
Depreciation provided during the year	4,065	44,386	523	1,425	–	1,434	51,833
Disposals/write-off	–	(35,932)	(312)	(4,532)	(6,012)	(4,244)	(51,032)
Disposal of subsidiaries	–	–	(393)	–	–	(439)	(832)
At 31 December 2019	34,894	838,927	4,674	8,461	–	13,122	900,078
Net carrying amount:							
At 31 December 2019	46,415	128,264	1,239	1,370	–	9	177,297
At 1 January 2019	50,480	93,505	1,583	2,575	–	2,819	150,962

The Group's building was pledged to a bank as security for banking facility granted to the Group (note 23).

Certain of the Group's equipment and machinery are leased to third parties under operating leases, further summary details of which are included in note 14 to the financial statements.

14. LEASES

The Group as a lessee

The Group has leasehold land and lease contracts for various office properties, warehouses and machinery used in its operation. Lump sum payments were made upfront to acquire the leased land from the owner with lease periods of 35 to 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties and warehouses generally have lease terms between 1 to 3 years while leases of machinery generally have lease terms between 1 to 16 months.

(a) Right-of-use assets

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

	Leasehold land *HK$000*	**Buildings** *HK$'000*	**Machinery** *HK$'000*	**Total** *HK$'000*
As at 1 January 2019	103,308	43,668	–	146,976
Additions	–	10,250	–	10,250
Depreciation charge	(3,723)	(11,833)	–	(15,556)
Impairment	–	(17,757)	–	(17,757)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(5,781)	–	(5,781)
As at 31 December 2019 and 1 January 2020	**99,585**	**18,547**	**–**	**118,132**
Additions	**–**	**616**	**4,638**	**5,254**
Depreciation charge	**(3,722)**	**(9,885)**	**(1,652)**	**(15,259)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	**(1,423)**	**–**	**(1,423)**
At 31 December 2020	**95,863**	**7,855**	**2,986**	**106,704**

Certain of the Group's leasehold land is pledged to a bank as security for banking facility granted to the Group (note 23).

Certain of the Group's leased warehouses and machineries are subleased to third parties and a related company under operating leases, further summary details of which are disclosed below under the heading "The Group as a lessor".

14. LEASES *(Cont'd)*

The Group as a lessee *(Cont'd)*

(b) Lease liabilities

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

	2020	2019
	HK$'000	*HK$'000*
Carrying amount at 1 January	**18,858**	43,668
New leases	**5,254**	10,250
Accretion of interest recognised during the year	**793**	1,761
Payments	**(12,241)**	(31,040)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(1,448)**	(5,781)
Carrying amount at 31 December	**11,216**	18,858
Analysed into:		
Current portion	**10,942**	10,121
Non-current portion	**274**	8,737

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest on lease liabilities	**793**	1,761
Depreciation charge of right-of-use assets	**15,259**	15,556
Impairment of right-of-use assets	**–**	17,757
Gain on lease modification	**(25)**	–
Expenses relating to short-term leases and/or other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**20,423**	6,363
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	**–**	9,292
Total amount recognised in profit or loss	**36,450**	50,729

(d) The total cash outflows for leases are disclosed in note 30(c) to the financial statements.

14. LEASES *(Cont'd)*

The Group as a lessor

The Group leases certain of its equipment and machinery (note 13) and subleases certain of its leased warehouses and leased machineries (note 14(a)) (2019: equipment and machinery, investment property and leased warehouses and machineries) under operating lease arrangements. The terms of the leases generally also require the tenants and customers to pay security deposits. Rental income recognised by the Group during the year was HK$14,926,000 (2019: HK$17,904,000), details of which are included in note 5 to the financial statements.

As at 31 December 2020, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**13,704**	7,420
After one year but within two years	**2,296**	1,736
	16,000	9,156

15. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**31,662**	7,702
Spare parts and others	**11,930**	14,861
	43,592	22,563

16. TRADE RECEIVABLES

The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers are within 30 days, and are subject to periodic review by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**190,319**	227,649
Impairment	**(1,342)**	(989)
	188,977	226,660

As at 31 December 2019, included in the Group's trade receivables was an amount due from a related company, Tysan Building Construction Company Limited ("TBC"), of HK$280,000, which was repayable on credit terms similar to those offered to the major customers of the Group. TBC is controlled by Mr. Fung, who is an executive director of the Company.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**177,179**	216,429
91 to 180 days	**11,556**	9,676
181 to 365 days	**164**	555
Over 365 days	**78**	–
	188,977	226,660

16. TRADE RECEIVABLES *(Cont'd)*

The movements in the loss allowance for individual impairment of trade receivables are as follows:

	2020	2019
	HK$'000	*HK$'000*
At beginning of the year	**989**	29
Impairment loss recognised (note 7)	**353**	985
Impairment loss written off	**–**	(25)
At end of year	**1,342**	989

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on remaining trade receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by service type, customer type and financial position of the customer). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

		Past due				
	Current	**Less than 90 days**	**91 to 180 days**	**181 to 365 days**	**Over 365 days**	**Total**
Expected credit losses rate	**0.04%**	**1.14%**	**0.73%**	**51.40%**	**100%**	**0.71%**
Gross carrying amount (HK$'000)	**154,393**	**27,431**	**7,344**	**494**	**657**	**190,319**
Expected credit losses (HK$'000)	**65**	**313**	**53**	**254**	**657**	**1,342**

As at 31 December 2019

		Past due				
	Current	Less than 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Expected credit losses rate	0.01%	0.39%	17.80%	55.10%	100%	0.43%
Gross carrying amount (HK$'000)	204,730	21,278	349	1,058	234	227,649
Expected credit losses (HK$'000)	28	82	62	583	234	989

17. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000*	1 January 2019 *HK$'000*
Contract assets arising from:			
Construction services	**1,002,844**	1,113,816	943,137
Others	**1,376**	1,653	1,325
	1,004,220	1,115,469	944,462
Impairment	**(2,048)**	(2,048)	(2,048)
	1,002,172	1,113,421	942,414

Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2020 was the result of the subsequent certification of construction services and subsequent settlement of retention receivables during the year while the increase in contract assets in 2019 was the result of the increase in the ongoing provision of construction services at the end of that year. The Group's trading terms and credit policy with customers are disclosed in note 16 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Within one year	**711,470**	960,167
After one year	**290,702**	153,254
Total contract assets	**1,002,172**	1,113,421

The movements in the loss allowance for impairment of contract assets are as follows:

	2020 *HK$'000*	2019 *HK$'000*
At the beginning and end of the year	**2,048**	2,048

Included in the above impairment allowance for contract assets is an allowance for an individually impaired contract asset of HK$2,048,000 (2019: HK$2,048,000) which was considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full. Except for the specific impairment allowance mentioned above, an impairment analysis is performed at each reporting date on the remaining contract assets using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases, the expected credit losses of contract assets were minimal as at 31 December 2020 and 2019.

17. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Cont'd)*

(a) Contract assets *(Cont'd)*

Included in contract assets is an amount due from a related company, TBC, of HK$610,000 (2019: HK$959,000), which represents a retention receivable and is recoverable on credit terms similar to those offered to the major customers of the Group.

(b) Contract liabilities

	31 December 2020 ***HK$'000***	31 December 2019 *HK$'000*	1 January 2019 *HK$'000*
Contract liabilities arising from:			
Construction services	**72,372**	46,833	46,414

Contract liabilities include short-term advances received to deliver construction services. The increase in contract liabilities in 2020 and 2019 was the result of increase in billings for construction services at the end of each of the years.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	**2020** ***HK$'000***	2019 *HK$'000*
Deposits for acquisition of items of property, plant and equipment		**–**	371
Due from TBC	(a)	**–**	10
Prepayments and deposits		**15,733**	19,859
Other receivables		**14,947**	21,710
Less: Impairment allowance		**(1,467)**	(1,467)
		29,213	40,483
Less: Prepayments, deposits and other receivables classified as non-current assets		**(150)**	(2,008)
		29,063	38,475

Note:

(a) As at 31 December 2019, an amount due from TBC, a related company of the Company, was unsecured, interest-free and repayable on demand.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Cont'd)*

The movements in the loss allowance for impairment of other receivables are as follows:

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**1,467**	293
Impairment losses recognised (note 7)	**–**	1,174
At end of year	**1,467**	1,467

In the opinion of the directors, the impairment of HK$1,467,000 (2019: HK$1,467,000) was specific in nature which was considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full. Expected credit losses on the remaining other receivables balances are estimated by applying a loss rate approach with reference to historical loss record of the Group. Based on historical loss records and economic conditions, the directors are of the opinion that the expected credit losses of the remaining other receivables are minimal.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) HKICIM Fund II, L.P. ("Fund II"), in which the Group's interests was 12.07% (represented capital contribution of HK$728,000,000), and HKICIM Fund III, L.P. ("Fund III"), in which the Group's interests was 16.57% (represented capital contribution of HK$633,160,000), were set up with Hisea International Co., Ltd. ("Hisea") in prior years. Hisea is a then wholly-owned subsidiary of HNA Holding Group Co., Ltd., which in turn is the holding company of HNA Finance I Co., Ltd., the former controlling shareholder of the Company.

Fund II and Fund III (collectively, the "Funds") had primarily invested in Total Thrive Holdings Limited ("Total Thrive") and Sky Hero Developments Limited ("Sky Hero"), which through intermediate holding companies, hold two property development projects at Kai Tak, Kowloon. On 14 February 2018, the Funds disposed of their entire equity interests in Total Thrive and Sky Hero. Further details of this disposal were set out in the Company's announcement dated 12 February 2018.

During the year ended 31 December 2018, the Funds returned the initial committed capital of HK$1,361,160,000 in total to the Group. During the year ended 31 December 2019, distributions from the Funds of HK$196,396,000 were received and aggregate fair value gains of HK$99,877,000 were resulted and included in "other income and gains" in the consolidated statement of profit or loss. The fair values of the Funds as at 31 December 2019 were nil which were estimated with reference to the fair values of the underlying assets held by the Funds. On 3 November 2020, the Group exited its involvement in the Funds by withdrawing as limited partners and resigning and withdrawing as general partners of each of the Funds.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Cont'd)*

(b) On 30 June 2018, the Group subscribed for 3-year unsecured convertible bonds of an aggregate principal amount of HK$800,000,000, which bear interest at 8% per annum and carry a conversion option to convert the convertible bonds into 95% of the issued and outstanding share capital of Holistic Capital Investment Limited ("Holistic"), an indirectly wholly-owned subsidiary of Hong Kong Airlines Limited ("HKA"). The Group has the right to convert the bonds to issued share capital of Holistic at any time prior to the maturity date and to request early redemption of the bonds at any time after 31 December 2018 if the potential investment has not been consummated on or before 31 December 2018. The convertible bonds are irrevocably and unconditionally guaranteed by HKA and Hong Kong Air Cargo Carrier Limited, a subsidiary of HKA and the sole shareholder of the convertible bonds issuer.

During the year ended 31 December 2019, the Group exercised its right of redemption in respect of the convertible bonds. The convertible bonds were fully redeemed at HK$883,467,000, representing the principal amount of HK$800,000,000 and related coupon interest of HK$83,467,000. Fair value gain of HK$49,735,000 was resulted and included in "other income and gains" in the consolidated statement of profit or loss during the year ended 31 December 2019.

20. CASH AND CASH EQUIVALENTS

	2020	2019
	HK$'000	*HK$'000*
Time deposits	**372,639**	2,274,458
Cash and bank balances	**333,931**	617,323
Cash and cash equivalents	**706,570**	2,891,781

	2020	2019
	HK$'000	*HK$'000*
Denominated in:		
Renminbi ("RMB")	**23,804**	391,910
HK$	**682,595**	2,499,704
Other currencies	**171**	167
	706,570	2,891,781

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 7 days to 3 months (2019: 21 days to 3 months) depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE AND RETENTION PAYABLES, ACCRUALS AND PROVISION

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Trade payables:		
Within 90 days	299,121	286,045
91 to 180 days	808	30
Over 180 days	41	144
	299,970	286,219
Retention payables	94,031	68,257
Accruals	234,967	220,078
Provision	35,592	37,262
	664,560	611,816

The trade and retention payables are non-interest-bearing. Trade payables are normally settled on 90-day terms. For retention payables in respect of construction contracts, the due dates are normally within one year after the completion of the construction work.

As at 31 December 2020, retention payables amounting to HK$87,138,000 (2019: HK$43,669,000) were expected to be repayable within twelve months after the end of the reporting period.

Provision represented provision for foreseeable losses on construction contracts. During the year ended 31 December 2020, provision of HK$27,519,000 (2019: HK$10,152,000) was made and balance of HK$28,377,000 (2019: HK$7,829,000) was utilised. In addition, a provision of HK$812,000 (2019: HK$6,732,000) was reversed during the year ended 31 December 2020.

22. OTHER PAYABLES, DEPOSITS RECEIVED AND RECEIPTS IN ADVANCE

Other payables are non-interest-bearing and have an average term of one month.

23. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Unsecured:						
Bank loan			**–**	4.0	2020	50,000
Secured:						
Instalment loan	**1.7**	**2021–2031**	**62,416**	2.5	2020–2031	66,712
Total bank borrowings			**62,416**			116,712

	2020 ***HK$'000***	2019 *HK$'000*
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	**4,762**	54,135
In the second year	**4,842**	4,244
In the third to fifth years, inclusive	**15,013**	13,384
Beyond five years	**37,799**	44,949
	62,416	116,712
Portion due within one year, classified as current liabilities	**(4,762)**	(54,135)
Long term portion	**57,654**	62,577

As at 31 December 2020, the Group's secured bank borrowing was secured by mortgages over certain leasehold land of HK$95,600,000 (2019: HK$99,312,000) (note 14(a)) and building of HK$42,350,000 (2019: HK$46,415,000) (note 13) of the Group.

In addition, the Company has executed guarantees in respect of borrowing facilities granted to certain of its subsidiaries (note 32).

All of the bank borrowings of the Group bear interest at floating interest rates. The carrying amounts of the bank borrowings approximate to their fair values.

The Group's bank borrowings are denominated in Hong Kong dollars.

24. GUARANTEED NOTES

During the year ended 31 December 2017, Silverbell Asia Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes with an aggregate principal amount of HK$305,000,000 (the "Guaranteed Notes") under a US$1,000,000,000 medium term note programme established by Silverbell Asia Limited on 7 April 2017.

The Guaranteed Notes bore interest at a fixed rate of 7% per annum payable semi-annually in arrears and matured on 26 July 2020. The Guaranteed Notes were guaranteed by the Company.

During the year ended 31 December 2019, guaranteed notes with nominal amount of HK$264,300,000 were early redeemed at the request of the noteholders. The remaining guaranteed notes with nominal amount of HK$40,700,000 were redeemed upon maturity on 26 July 2020.

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**40,390**	298,857
Redemption	**(40,700)**	(264,300)
Amortisation of issue expenses	**310**	5,833
Carrying amount at end of year	**–**	40,390

The effective interest rate of the Guaranteed Notes was 8.37% per annum.

25. LEASE LIABILITIES

	2020			2019		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current:						
Lease liabilities (note 14(b))	**5.375**	**2021**	**10,942**	5.375	2020	10,121
Non-current:						
Lease liabilities (note 14(b))	**5.375**	**2022**	**274**	5.375	2021–2022	8,737

	2020	2019
	HK$'000	*HK$'000*
Analysed into:		
Lease liabilities repayable:		
Within one year	**10,942**	10,121
In the second year	**274**	8,618
In the third to fifth years, inclusive	**–**	119
	11,216	18,858

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Allowance in excess of related depreciation *HK$'000*	Withholding taxes *HK$'000*	Total *HK$'000*
At 1 January 2019	(6,331)	(10,897)	(17,228)
Acquisition of subsidiaries (note 35)	(1,885)	–	(1,885)
Deferred tax credited/(charged) to the statement of profit or loss during the year	754	(2,798)	(2,044)
Withholding tax paid on repatriation of earnings from a subsidiary in Mainland China	–	10,861	10,861
Disposal of subsidiaries (note 36)	2,007	–	2,007
Exchange realignment	–	80	80
At 31 December 2019 and 1 January 2020	**(5,455)**	**(2,754)**	**(8,209)**
Deferred tax charged to the statement of profit or loss during the year	**(1,787)**	**(91)**	**(1,878)**
Withholding tax paid on repatriation of earnings from a subsidiary in Mainland China	**–**	**2,681**	**2,681**
Exchange realignment	**–**	**(7)**	**(7)**
At 31 December 2020	**(7,242)**	**(171)**	**(7,413)**

Deferred tax assets

	Depreciation in excess of related allowance *HK$'000*
At 1 January 2019	367
Deferred tax charged to the statement of profit or loss during the year	(367)
At 31 December 2019 and 1 January 2020	–
Deferred tax credited to the statement of profit or loss during the year	**1,760**
At 31 December 2020	**1,760**

The Group has tax losses arising in Hong Kong of HK$326,899,000 (2019: HK$286,100,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

26. DEFERRED TAX *(Cont'd)*

Pursuant to the Corporate Income Tax ("CIT") Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. SHARE CAPITAL

Shares

	2020 *HK$'000*	2019 *HK$'000*
Authorised:		
6,000,000,000 ordinary shares of HK$0.10 each	**600,000**	600,000
Issued and fully paid:		
3,366,035,709 ordinary shares of HK$0.10 each	**336,603**	336,603

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 January 2019		3,364,835,709	336,483	10,004,289	10,340,772
Share options exercised	(a)	1,200,000	120	2,481	2,601
Transfer to contributed surplus	(b)	–	–	(10,004,289)	(10,004,289)
At 31 December 2019, 1 January 2020 and 31 December 2020		**3,366,035,709**	**336,603**	**2,481**	**339,084**

Notes:

(a) During the year ended 31 December 2018, the subscription rights attaching to 1,200,000 share options were exercised at the subscription price of HK$1.75 per share at a total consideration of HK$2,100,000. The shares related to those share options were issued during the year ended 31 December 2019 and resulted in an increase in share capital of HK$1,200,000 and share premium account of HK$1,980,000 (before issue expenses). An amount of HK$501,000 was transferred from share option reserve to share premium account upon issue of the relevant shares.

(b) Pursuant to a special resolution passed at the annual general meeting of the Company held on 12 June 2019, an amount of approximately HK$10,004,289,000 standing to the credit of share premium account of the Company as at 31 December 2018 was reduced and the corresponding balance arising therefrom was credited to the contributed surplus account of the Company.

27. SHARE CAPITAL *(Cont'd)*

Share options

Details of the Company's share option scheme are included in note 28 to the financial statements.

28. SHARE OPTION SCHEME

On 8 August 2012, the Company adopted a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Old Scheme was terminated and replaced by a new share option scheme (the "New Scheme") with effect from the conclusion of the special general meeting held on 3 December 2020.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme must not in aggregate exceed 10% of the shares of the Company in issue at any time. No share option has been granted under the New Scheme during the year.

A summary of the New Scheme of the Company is as follows:

Purpose	To reward participants who have contributed or may contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and the shareholders as a whole.
Participants	A person who is entitled to participate in the New Scheme, being any full-time or part-time employees, executives, officers or directors (including executive, non-executive and independent non-executive directors) of the Group or any of the interested entities and any advisors, consultants, distributors, contractors, suppliers, agents, providers, customers, business ally or joint venture partners, promoters, service providers of any member of the Group who, in the sole and absolute opinion of the Board, will contribute to or benefit or have contributed to or benefited the business, development and growth (and/or any other aspect whatsoever) of the Group and/or any of the interested entities.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	336,603,570 ordinary shares and 10% of the issued share capital, on the basis of 3,366,035,709 shares in issue as at the date of the Company's special general meeting on 3 December 2020.
Maximum entitlement of each participant	Shall not exceed 1% of the issued share capital of the Company in any 12-month period.
Period within which the securities must be taken up under an option	To be determined by the Board on a case-by-case basis at its absolute discretion and notified to the grantee thereof, provided that the expiry date of the said period shall not be later than ten (10) years from the date of grant of the option concerned.

28. SHARE OPTION SCHEME *(Cont'd)*

A summary of the New Scheme of the Company is as follows: *(Cont'd)*

Minimum period for which an option must be held before it can be exercised	To be determined at the discretion of the Board.
Amount payable on acceptance	HK$10
Basis for determining the exercise price	In respect of any particular option: the price per share payable to the Company on the exercise of the option as may be decided upon and prescribed by the Board on a case-by-case basis, bearing in mind the purpose of the New Scheme, in its absolute discretion upon the grant of the option, provided that such exercise price shall not be less than the highest of the following: (a) the nominal value of a share; (b) the closing price of a share as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day; and (c) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant of the option, or where applicable, the exercise price for the option concerned (referred to (a) to (c) above) as may be adjusted by the Board from time to time pursuant to the rules of the New Scheme concerning adjustments of, inter alia, the exercise price upon the occurrence of any relevant event as defined in the New Scheme.
The remaining life of the scheme	The New Scheme remains in force for a period of ten (10) years commencing from 3 December 2020 and expiring at the close of business hours of the Company on 2 December 2030.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

28. SHARE OPTION SCHEME *(Cont'd)*

(a) Old Scheme

A summary of movements of the Old Scheme is as follows:

	2020		2019	
	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***	Weighted average exercise price *HK$ per share*	Number of options *'000*
At beginning of year	–	–	1.79	316,130
Lapsed during the year	–	–	1.75	(4,720)
Cancelled during the year	–	–	1.79	(311,410)
At end of year	–	–	–	–

The fair value of the share options granted during the year ended 31 December 2018 was HK$201,500,000 (HK$0.45 to HK$0.59 each), of which the Group recognised a share option expense of HK$14,425,000 during the year ended 31 December 2019.

During the year ended 31 December 2019, a total of 4,720,000 share options lapsed upon resignation of the relevant directors and employees, and a total of 1,800,000 share options were cancelled according to the terms of the Old Scheme. In addition, a total of 309,610,000 share options were cancelled following the close of the mandatory unconditional general offer in cash by Times Holdings II for all the issued shares and to make comparable offers to the option holders for all outstanding share options.

At the end of the reporting period and as at the date of approval of these financial statements, the Company had no share options outstanding under the Old Scheme.

(b) New Scheme

During the year ended 31 December 2020 and up to the date of approval of these financial statements, no share options were granted, exercised, expired or lapsed and there is no outstanding share option under the New Scheme.

29. RESERVES

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

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiary registered in the PRC has been transferred to statutory reserves which are restricted as to use.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$5,254,000 (2019: HK$10,250,000) and HK$5,254,000 (2019: HK$10,250,000), respectively, in respect of lease arrangements for buildings and machinery.

(b) Changes in liabilities arising from financing activities

2020

	Trade and retention payables, accruals and provision *HK$'000*	Dividend payable *HK$'000*	Lease liabilities *HK$'000*	Interest-bearing bank borrowings *HK$'000*	Guaranteed notes *HK$'000*
At 1 January 2020	611,816	1,683,018	18,858	116,712	40,390
Changes from financing activities	(5,069)	(2,490,867)	(12,241)	(54,296)	(40,700)
New leases	–	–	5,254	–	–
Reassessment and revision of lease term	–	–	(1,448)	–	–
Interest expenses	3,672	–	793	–	310
Dividend declared	–	807,849	–	–	–
Changes classified as operating cash flows	54,141	–	–	–	–
At 31 December 2020	664,560	–	11,216	62,416	–

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*

(b) Changes in liabilities arising from financing activities *(Cont'd)*

2019

	Trade and retention payables, accruals and provision *HK$'000*	Dividend payable *HK$'000*	Lease liabilities *HK$'000*	Interest-bearing bank borrowings *HK$'000*	Interest-bearing other borrowing *HK$'000*	Guaranteed notes *HK$'000*	Trade and retention payables and accruals included in disposal groups *HK$'000*
At 1 January 2019	734,742	–	43,668	3,234,292	300,000	298,857	118,246
Changes from financing activities	(54,714)	(7,438,939)	(31,040)	(182,952)	(300,000)	(266,943)	(8,225)
New leases	–	–	10,250	–	–	–	–
Reassessment and revision of lease term	–	–	(5,781)	–	–	–	–
Interest expenses	16,393	–	1,761	1,435	–	8,476	13,974
Interest capitalised	17,254	–	–	–	–	–	–
Dividends declared	–	9,121,957	–	–	–	–	–
Changes classified as operating cash flows	(70,765)	–	–	–	–	–	(50,785)
Acquisition of subsidiaries	636	–	–	–	–	–	–
Disposal of subsidiaries	(31,730)	–	–	(2,936,063)	–	–	(73,030)
Exchange realignment	–	–	–	–	–	–	(180)
At 31 December 2019	611,816	1,683,018	18,858	116,712	–	40,390	–

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 **HK$'000**	2019 *HK$'000*
Within operating activities	**20,423**	15,655
Within financing activities	**12,241**	31,040
	32,664	46,695

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*

(d) Total taxes paid

The total taxes paid during the year were:

	2020	2019
	HK$'000	*HK$'000*
Operating activities:		
Hong Kong profits tax (paid)/refunded	**(34,760)**	30,770
Overseas taxes paid	**(3,271)**	(23,823)
	(38,031)	6,947
Investing activities:		
Overseas taxes paid	**–**	(56,820)
	(38,031)	(49,873)

31. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
Property, plant and equipment:		
– contracted, but not provided for	**1,545**	68,322

32. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2020	2019
	HK$'000	*HK$'000*
Guarantees in respect of performance bonds in relation to subsidiaries	**449,634**	403,267

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loan are included in note 23 to the financial statements.

34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Outstanding balances with related parties

Details of the Group's balances with its related company as at the end of the reporting period are included in notes 16, 17 and 18(a), respectively, to the financial statements.

Particulars of an amount due from a related company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

Name	**31 December 2020** ***HK$'000***	**Maximum amount outstanding during the year** ***HK$'000***	31 December 2019 *HK$'000*
TBC	**610**	**1,288**	1,249

(b) Compensation of key management personnel of the Group

	2020 ***HK$'000***	2019 *HK$'000*
Short term employee benefits	**42,493**	83,261
Equity-settled share option expense	**–**	6,202
Post-employment benefits	**76**	108
Total compensation paid to key management personnel	**42,569**	89,571

Further details of directors' remuneration are included in note 8 to the financial statements.

34. RELATED PARTY TRANSACTIONS *(Cont'd)*

(c) Other transactions with a related company of the Group

(i) During the year ended 31 December 2020, the Group recorded licence income of HK$77,000 (2019: HK$115,000) from TBC for the sub-lease of a closed storage place. This transaction was entered into by the Group and its related company in accordance with the terms of the respective agreement.

(ii) During the year ended 31 December 2020, the Group recorded revenue of HK$1,427,000 (2019: HK$723,000) in respect of rental and engineering works relating to tower cranes subcontracted by TBC to the Group.

These related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

35. BUSINESS COMBINATION

For the year ended 31 December 2019

On 28 February 2019, Fundamental Assets IV Limited ("Fundamental Assets IV"), a wholly-owned subsidiary of the Company, and Jinshang International Investment Company Limited ("Jinshang International"), an independent third party, entered into a sale and purchase agreement, pursuant to which Fundamental Assets IV agreed to purchase and Jinshang International agreed to sell the entire issued capital of Superior Choice Holdings Limited ("Superior Choice") and the loans owed by Superior Choice and its subsidiary to Jinshang International at a cash consideration of HK$700,000,000 (subject to adjustment) (the "Superior Choice Acquisition"). The principal assets of Superior Choice comprised all the issued share capital of Excel Pointer Limited, the sole legal and beneficial owner of a property known as "CentreHollywood" located at No. 151 Hollywood Road, Hong Kong. The acquisition was completed on 28 February 2019 and the final consideration was agreed at HK$698,018,000.

35. BUSINESS COMBINATION *(Cont'd)*

For the year ended 31 December 2019 *(Cont'd)*

The fair values of the identifiable assets and liabilities of Superior Choice and Excel Pointer Limited (collectively referred to as the "Superior Choice Group") as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment		174
Investment property	(i)	700,000
Prepayments, deposits and other receivables		369
Cash and cash equivalents		349
Trade payables and accruals		(636)
Other payables, deposits received and receipt in advance		(2,066)
Tax payable		(321)
Deferred tax liabilities		(1,885)
Loans from the shareholder		(338,687)
Total identifiable net assets at fair value		357,297
Loans from the shareholder assigned to the Group		338,687
Goodwill on acquisition		2,034
		698,018
Satisfied by:		
Cash consideration		698,018

Note:

(i) The investment property represented a commercial property in Hong Kong. The fair value of the investment property on acquisition date was commercially agreed between the seller and the Group at HK$700,000,000 pursuant to the sale and purchase agreement of the acquisition of the entity holding the investment property on an arm's length basis. Superior Choice Group was subsequently disposed of by the Group on 19 August 2019, details of which are disclosed in note 36(c) to the financial statements. The fair value of the investment property held by the subsidiary being disposed of on 19 August 2019 was estimated by management with reference to the cash consideration of HK$595,000,000 of the disposal. A change of fair value of the investment property of HK$105,000,000, representing the difference between the fair value of the investment property as at acquisition date and the disposal date, was recognised in profit or loss for the year ended 31 December 2019.

35. BUSINESS COMBINATION *(Cont'd)*

For the year ended 31 December 2019 *(Cont'd)*

An analysis of the net outflow of cash and cash equivalents in respect of the Superior Choice Acquisition during the year ended 31 December 2019 was as follows:

	HK$'000
Cash consideration	(698,018)
Cash and cash equivalents acquired	349
Net outflow of cash and cash equivalents included in cash flows from investing activities	(697,669)
Transaction costs of the acquisition included in cash flows from operating activities	(3,291)
	(700,960)

Since the acquisition and up to its disposal on 19 August 2019, Superior Choice Group contributed HK$4,288,000 to the Group's revenue and incurred a net loss of HK$102,736,000 (excluded the loss on disposal of Superior Choice Group of HK$502,000) to the consolidated loss for the year ended 31 December 2019.

Details of the Superior Choice Acquisition were set out in the Company's announcement dated 28 February 2019.

36. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2020

(a) Disposal of Uni-Genius Investments Limited

On 22 November 2019, Tysan Investment Limited ("Tysan Investment"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with HNA Finance I Co., Ltd., the former controlling shareholder of the Company, to dispose of its entire equity interest in Uni-Genius Investments Limited ("Uni-Genius") and assign all amounts which Uni-Genius owed to Tysan Investment at a cash consideration of HK$343,200,000 (the "Uni-Genius Disposal"). The principal activity of Uni-Genius was trading of financial products and holding of an unlisted wealth management investment in a fund. As at 31 December 2019, the disposal group classified as held for sale included the assets of Uni-Genius of HK$309,320,000, representing a financial asset at fair value through profit or loss of HK$309,270,000 and bank balance of HK$50,000. The Uni-Genius Disposal was completed on 5 March 2020.

	Note	***HK$'000***
Net liabilities disposed of:		
Financial asset at fair value through profit or loss	(i)	**309,270**
Loan from the Group		**(321,963)**
		(12,693)
Loan from the Group assigned		**321,963**
Gain on disposal of a subsidiary credited to profit or loss		**33,930**
		343,200
Satisfied by:		
Cash consideration		**343,200**

36. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 December 2020 *(Cont'd)*

(a) Disposal of Uni-Genius Investments Limited *(Cont'd)*

Note:

(i) During the year ended 31 December 2018, Uni-Genius purchased an unlisted investment fund from a third party financial institution at a cost of HK$345,246,000 and was classified as held for trading. As at 31 December 2019, the fair value of the unlisted investment fund was HK$309,270,000 based on a quoted price from the fund manager and a fair value loss of HK$52,741,000 was included in "other expenses, net" in the consolidated statement of profit or loss during the year ended 31 December 2019. Upon signing of the sale and purchase agreement to dispose of Uni-Genius, this investment has been classified and included in assets of a disposal group classified as held for sale as at 31 December 2019.

An analysis of the net inflow of cash and cash equivalents in respect of the Uni-Genius Disposal during the year is as follows:

	HK$'000
Cash consideration and net inflow of cash and cash equivalents in respect of the Uni-Genius Disposal	**343,200**

36. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 December 2019

(b) Disposal of Twinpeak Assets Limited

On 15 February 2019, Omnilink Assets Limited ("Omnilink"), a wholly-owned subsidiary of the Company, disposed of its entire equity interest in Twinpeak Assets Limited and assigned all amounts which Twinpeak Assets Limited owed to Omnilink as at that date to an independent third party, Fabulous New Limited, at a final cash consideration of HK$5,192,449,000 (the "Twinpeak Disposal"). The principal assets of Twinpeak Assets Limited comprised all the issued share capital of Milway Development Limited, the owner of the development under construction on New Kowloon Inland Lot No. 6563 on Kai Tak Area 1L Site 2, Kai Tak, Kowloon, Hong Kong.

	HK$'000
Net liabilities disposed of:	
Properties under development	7,531,449
Prepayments, deposits and other receivables	118
Pledged bank balances	37,469
Restricted cash	1,276,396
Cash and cash equivalents	7,064
Trade and retention payables and accruals	(31,378)
Other payables, deposits received and receipt in advance	(80)
Interest-bearing bank borrowings	(2,936,063)
Loan from the Group	(6,489,641)
	(604,666)
Loan from the Group assigned	6,489,641
Loss on disposal of subsidiaries debited to profit or loss	(692,526)
	5,192,449
Satisfied by:	
Cash consideration	5,192,449

An analysis of the net inflow of cash and cash equivalents in respect of the Twinpeak Disposal during the year ended 31 December 2019 was as follows:

	HK$'000
Cash consideration	5,192,449
Pledged bank balances disposed of	(37,469)
Cash and cash equivalents disposed of	(7,064)
Net inflow of cash and cash equivalents in respect of the Twinpeak Disposal	5,147,916

Details of the Twinpeak Disposal were set out in the Company's announcements dated 1 February 2019 and 15 February 2019 and the circular dated 25 February 2019.

36. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 December 2019 *(Cont'd)*

(c) Disposal of Superior Choice

On 19 August 2019, Fundamental Assets IV disposed of its entire equity interest in Superior Choice and assigned all loans owed by Superior Choice to Fundamental Assets IV as at that date to an independent third party, New Pursue Limited, at a cash consideration of HK$592,787,000 (the "Superior Choice Disposal"). The principal assets of Superior Choice comprised all the issued share capital of Excel Pointer Limited, the sole legal and beneficial owner of a property known as "CentreHollywood" located at No. 151 Hollywood Road, Hong Kong.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	124
Investment property	595,000
Goodwill	2,034
Trade receivables	564
Prepayments, deposits and other receivables	463
Cash and cash equivalents	137
Trade payables and accruals	(352)
Other payables, deposits received and receipt in advance	(2,039)
Tax payable	(635)
Deferred tax liabilities	(2,007)
Loans from the Group	(336,695)
	256,594
Loans from the Group assigned	336,695
Loss on disposal of subsidiaries debited to profit or loss	(502)
	592,787
Satisfied by:	
Cash consideration	592,787

An analysis of the net inflow of cash and cash equivalents in respect of the Superior Choice Disposal during the year ended 31 December 2019 was as follows:

	HK$'000
Cash consideration	592,787
Cash and cash equivalents disposed of	(137)
Net inflow of cash and cash equivalents in respect of the Superior Choice Disposal	592,650

36. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

For the year ended 31 December 2019 *(Cont'd)*

(d) Disposal of Tysan Land (Shenyang) Limited

On 13 November 2017, Sparkle Key Limited (the "Shenyang Seller"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Hainan HNA Infrastructure Investment Group Co., Ltd., a company established in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange and a subsidiary of HNA Group Co., Ltd., for disposal of the Shenyang Seller's entire equity interest in Tysan Land (Shenyang) Limited ("Tysan Shenyang") at a cash consideration of RMB762 million (the "Shenyang Disposal"). Tysan Shenyang is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Pinnacle, in Shenyang. It primarily derived its revenue from the sale of residential properties. The Shenyang Disposal was completed on 27 November 2019.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	1,932
Properties held for sale	1,083,719
Trade receivables	60
Prepayments, deposits and other receivables	2,950
Tax prepaid	4,990
Cash and cash equivalents	47,106
Trade payables and accruals	(73,030)
Deposits received and other payables	(2,571)
Contract liabilities	(8,319)
Other loans	(327,251)
Deferred tax liabilities	(1,248)
	728,338
Release of exchange fluctuation reserve	38,405
Gain on disposal of a subsidiary credited to profit or loss	125,559
	892,302
Satisfied by:	
Cash consideration	892,302

An analysis of the net inflow of cash and cash equivalents in respect of the Shenyang Disposal during the year ended 31 December 2019 was as follows:

	HK$'000
Cash consideration	892,302
Cash and cash equivalents disposed of	(47,106)
Net inflow of cash and cash equivalents in respect of the Shenyang Disposal	845,196

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2020 Financial assets at amortised costs *HK$'000*	2019 Financial assets at amortised costs *HK$'000*
Trade receivables	**188,977**	226,660
Other receivables	**13,480**	20,253
Cash and cash equivalents	**706,570**	2,891,781
	909,027	3,138,694

Financial liabilities

	2020 Financial liabilities at amortised costs *HK$'000*	2019 Financial liabilities at amortised costs *HK$'000*
Trade and retention payables	**394,001**	354,476
Dividend payable	**–**	1,683,018
Other payables	**2,111**	599
Interest-bearing bank borrowings	**62,416**	116,712
Guaranteed notes	**–**	40,390
Lease liabilities	**11,216**	18,858
	469,744	2,214,053

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and cash equivalents, other receivables, trade receivables, trade and retention payables, other payables, dividend payable, interest-bearing bank borrowings, guaranteed notes and lease liabilities. Details of these financial instruments are disclosed in the respective notes to these financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Contract assets*	–	–	–	1,004,220	1,004,220
Trade receivables*	–	–	–	190,319	190,319
Financial assets included in prepayments, deposits and other receivables					
– Normal**	13,480	–	–	–	13,480
– Doubtful**	–	–	1,467	–	1,467
Cash and cash equivalents					
– Not yet past due	706,570	–	–	–	706,570
	720,050	–	1,467	1,194,539	1,916,056

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk *(Cont'd)*

Maximum exposure and year-end staging *(Cont'd)*

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Contract assets*	–	–	–	1,115,469	1,115,469
Trade receivables*	–	–	–	227,649	227,649
Financial assets included in prepayments, deposits and other receivables					
– Normal**	20,253	–	–	–	20,253
– Doubtful**	–	–	1,467	–	1,467
Cash and cash equivalents					
– Not yet past due	2,891,781	–	–	–	2,891,781
	2,912,034	–	1,467	1,343,118	4,256,619

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix are disclosed in notes 16 and 17 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful".

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its interest-bearing bank borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors the Group's interest rate exposure and considers entering into interest rate swaps to reduce its exposure to interest rate fluctuations should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity (before any impact on tax).

	Increase in interest rate	Increase in loss before tax *HK$'000*	Decrease in equity* *HK$'000*
2020			
Bank borrowings	**100 basis points**	**624**	**–**
2019			
Bank borrowings	100 basis points	1,167	–

* Excluding retained profits

Foreign exchange risk

The Group operates mainly in Hong Kong and Mainland China with most of its transactions settled in Hong Kong dollars and Renminbi. Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi and US$ against HK$. The Group considered the impact on equity from the change in US$ exchange rate was minimal at the end of the reporting period since HK$ is pegged to US$. During the years ended 31 December 2019 and 2020, all of the Group's borrowings are denominated in Hong Kong dollars.

Management monitors the Group's currency exposure on an ongoing basis and considers entering into forward currency contracts when the need arises.

The Group did not expose to any significant foreign currency risk as at 31 December 2020 and 2019.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020				
	On demand *HK$'000*	**Less than 12 months** *HK$'000*	**1 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
Trade and retention payables	**–**	**394,001**	**–**	**–**	**394,001**
Other payables	**–**	**2,111**	**–**	**–**	**2,111**
Interest-bearing bank borrowings	**–**	**5,760**	**23,040**	**39,939**	**68,739**
Lease liabilities	**–**	**11,188**	**277**	**–**	**11,465**
Guarantees in respect of performance bonds in relation to subsidiaries	**449,634**	**–**	**–**	**–**	**449,634**
	449,634	**413,060**	**23,317**	**39,939**	**925,950**

	2019				
	On demand *HK$'000*	Less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Trade and retention payables	–	354,476	–	–	354,476
Dividend payable	–	1,683,018	–	–	1,683,018
Other payables	–	599	–	–	599
Interest-bearing bank borrowings	–	55,938	23,040	49,705	128,683
Guaranteed notes	–	43,565	–	–	43,565
Lease liabilities	–	10,838	8,918	–	19,756
Guarantees in respect of performance bonds in relation to subsidiaries	403,267	–	–	–	403,267
	403,267	2,148,434	31,958	49,705	2,633,364

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. The Group's policy is to maintain the gearing ratio not exceeding 50%. Net debt includes trade and retention payables, dividend payable, other payables, interest-bearing bank borrowings, guaranteed notes and lease liabilities, less cash and cash equivalents. Capital includes total equity of the Group. The gearing ratios as at the end of the reporting periods were as follows:

	2020	2019
	HK$'000	*HK$'000*
Trade and retention payables	**394,001**	354,476
Dividend payable	**–**	1,683,018
Other payables	**2,111**	599
Interest-bearing bank borrowings	**62,416**	116,712
Guaranteed notes	**–**	40,390
Lease liabilities (note 25)	**11,216**	18,858
Less: Cash and cash equivalents	**(706,570)**	(2,891,781)
Net cash	**(236,826)**	(677,728)
Total equity	**1,433,127**	2,321,866
Gearing ratio	**N/A**	N/A

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2020	2019
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Interests in subsidiaries	**1,332,788**	1,669,686
CURRENT ASSETS		
Amounts due from subsidiaries	**175,612**	176,384
Prepayments and other receivables	**708**	4,674
Cash and cash equivalents	**437,272**	2,222,064
Total current assets	**613,592**	2,403,122
CURRENT LIABILITIES		
Amounts due to subsidiaries	**81,802**	670,542
Trade payables and accruals	**666**	33,827
Dividend payable	**–**	1,683,018
Other payables	**1,605**	413
Total current liabilities	**84,073**	2,387,800
NET CURRENT ASSETS	**529,519**	15,322
Net assets	**1,862,307**	1,685,008
EQUITY		
Issued capital	**336,603**	336,603
Reserves (note)	**1,525,704**	1,348,405
Total equity	**1,862,307**	1,685,008

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Note:

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

	Share premium account *HK$'000*	**Contributed surplus** *HK$'000*	**Share option reserve** *HK$'000*	**Retained profit/ (accumulated losses)** *HK$'000*	**Total** *HK$'000*
At 1 January 2019	10,004,289	593,811	149,275	(155,138)	10,592,237
Loss for the year	–	–	–	(138,280)	(138,280)
Total comprehensive expenses for the year	–	–	–	(138,280)	(138,280)
Equity-settled share option arrangements	–	–	14,425	–	14,425
Transfer of share option reserve upon the cancellation of share options	–	–	(163,199)	163,199	–
Issue of shares	2,481	–	(501)	–	1,980
Transfer to contributed surplus	(10,004,289)	10,004,289	–	–	–
2019 special dividend declared (note 11)	–	(1,683,018)	–	–	(1,683,018)
2019 special dividend declared and paid (note 11)	–	(6,732,072)	–	–	(6,732,072)
2019 interim dividend declared and paid (note 11)	–	(706,867)	–	–	(706,867)
At 31 December 2019 and 1 January 2020	**2,481**	**1,476,143**	**–**	**(130,219)**	**1,348,405**
Profit for the year	**–**	**–**	**–**	**985,148**	**985,148**
Total comprehensive income for the year	**–**	**–**	**–**	**985,148**	**985,148**
2020 special dividend declared and paid (note 11)	**–**	**(807,849)**	**–**	**–**	**(807,849)**
At 31 December 2020	**2,481**	**668,294**	**–**	**854,929**	**1,525,704**

The contributed surplus of the Company included the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1991 prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor amounting to HK$29,950,000. In addition, pursuant to special resolutions passed at the annual general meeting of the Company held on 7 August 2015 and 12 June 2019, the entire amounts of HK$563,861,000 and HK$10,004,289,000 standing to the credit of share premium account of the Company as at 7 August 2015 and 31 December 2018 respectively were cancelled, and the corresponding balance arising therefrom was credited to the contributed surplus account of the Company. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 22 March 2021.