



# SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

## ANNUAL REPORT 2020





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# Corporate Information

## DIRECTORS

### Executive Directors:

Lim Kia Hong  
*(Chairman and Chief Executive Officer)*  
Lim Kiah Meng *(Vice chairman)*  
Lim Hwee Hai  
Lim Hwee Noi

### Independent Non-executive Directors:

Lee Hiok Chuan  
Ong Wui Leng  
Ma Shiu Sun, Michael

## COMPANY SECRETARY

Chiu Lai Chun, Rhoda

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS

803  
Nine Queen's Road Central  
Hong Kong  
Telephone: (852) 2138 3938  
Fax: (852) 2138 3928

## STOCK CODE

00529

## INVESTOR RELATIONS

[www.sisinternational.com.hk](http://www.sisinternational.com.hk)  
[enquiry@sis.com.hk](mailto:enquiry@sis.com.hk)

## AUDITORS

Deloitte Touche Tohmatsu  
*(Registered Public Interest Entity Auditor)*

## LEGAL ADVISORS

Cleary Gottlieb Steen & Hamilton (Hong Kong)  
Norton Rose Fulbright

## PRINCIPAL BANKERS

DBS Bank Ltd.  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
MUFG Bank, Ltd.  
OCBC Bank  
Standard Chartered Bank (Hong Kong) Limited  
Sumitomo Mitsui Banking Corporation  
The Tokyo Star Bank, Limited  
United Overseas Bank Limited

## PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor, North Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

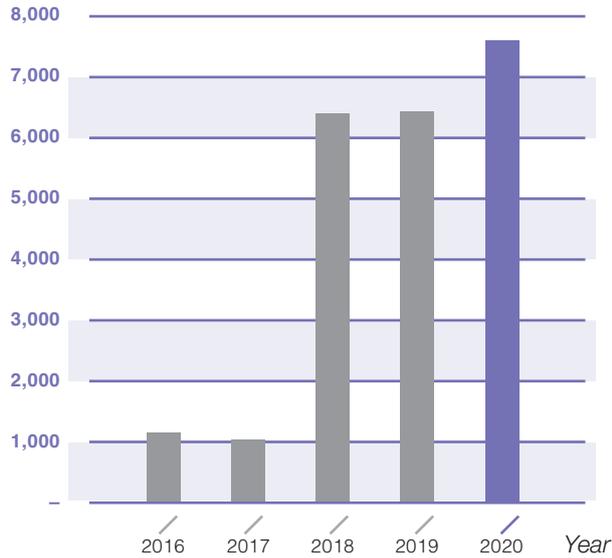
## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

# Financial Highlights

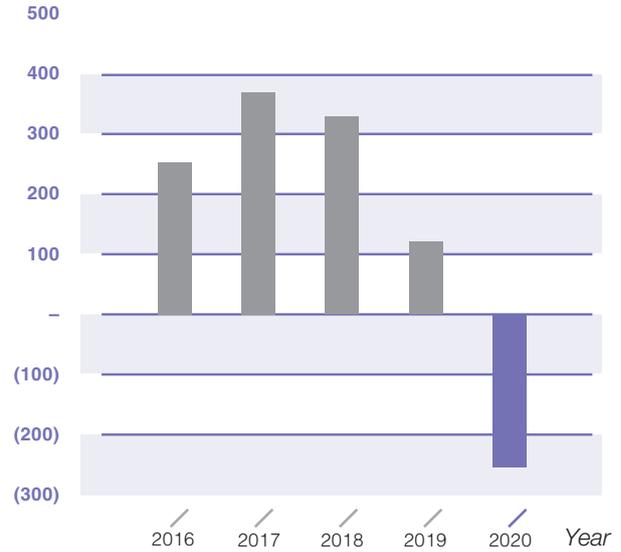
## Revenue

HKD'M



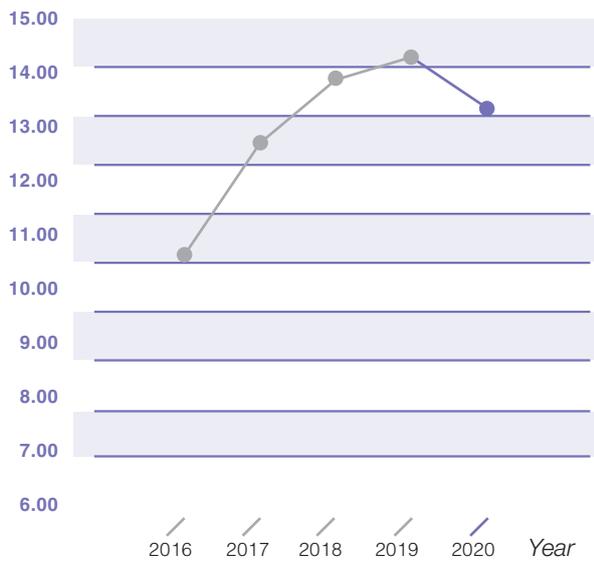
## Net Profit

HKD'M



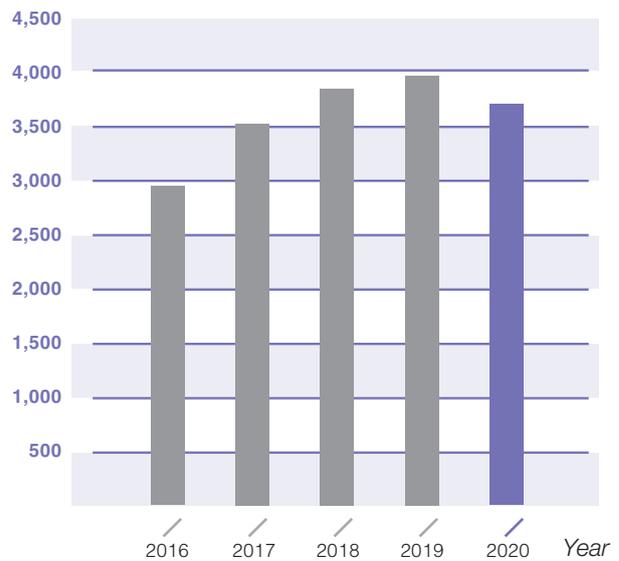
## Net Asset Value Per Share

HKD

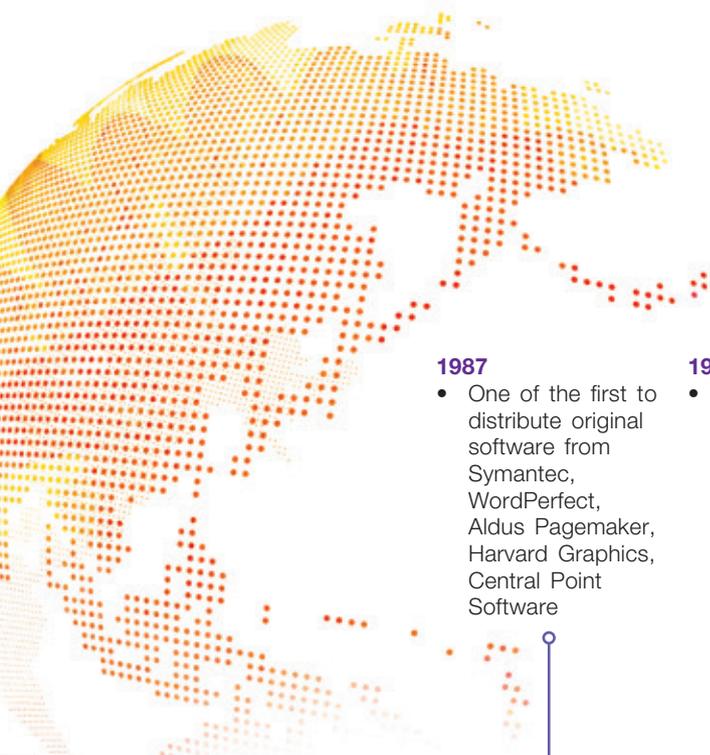


## Shareholders' Equity

HKD'M



# History & Milestones



**1987**

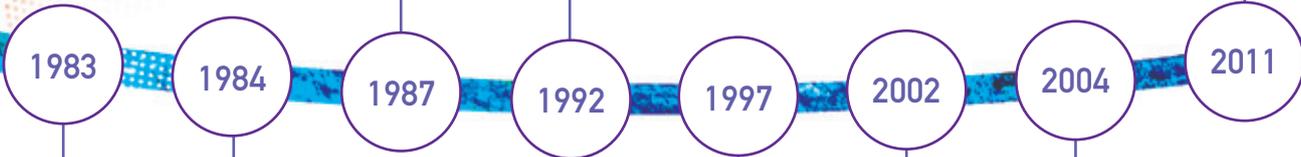
- One of the first to distribute original software from Symantec, WordPerfect, Aldus Pagemaker, Harvard Graphics, Central Point Software

**1992**

- SiS listed successfully on the main board of the Hong Kong Stock Exchange (529.HK) in less than 10 years after it was founded in 1983

**2011**

- Acquired a stake in Information Technology Consultants Limited ("ITCL"), a provider of payment gateway services and one of the leading providers of ATMs in Bangladesh
- Acquired Synergy Technologies (Asia) Ltd to form SiS mobile business
- Sold IT distribution business in Hong Kong, Singapore, Malaysia to conglomerate Jardine Matheson Group



**1983**

- Founded in Singapore



- Became distributor for Dyson floppy disk in 1983 and 3Com network in 1984 and started building a reseller base

**1984**

- Introduced AST peripherals and Tallgrass' tape drives to new IBM and Apple resellers



**1997**

- Sold a 80% stake in SiS Distribution Ltd. to CHS Electronics

**2002**

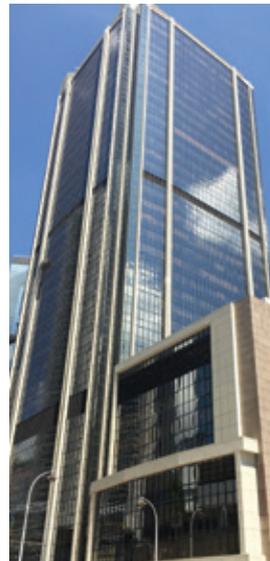
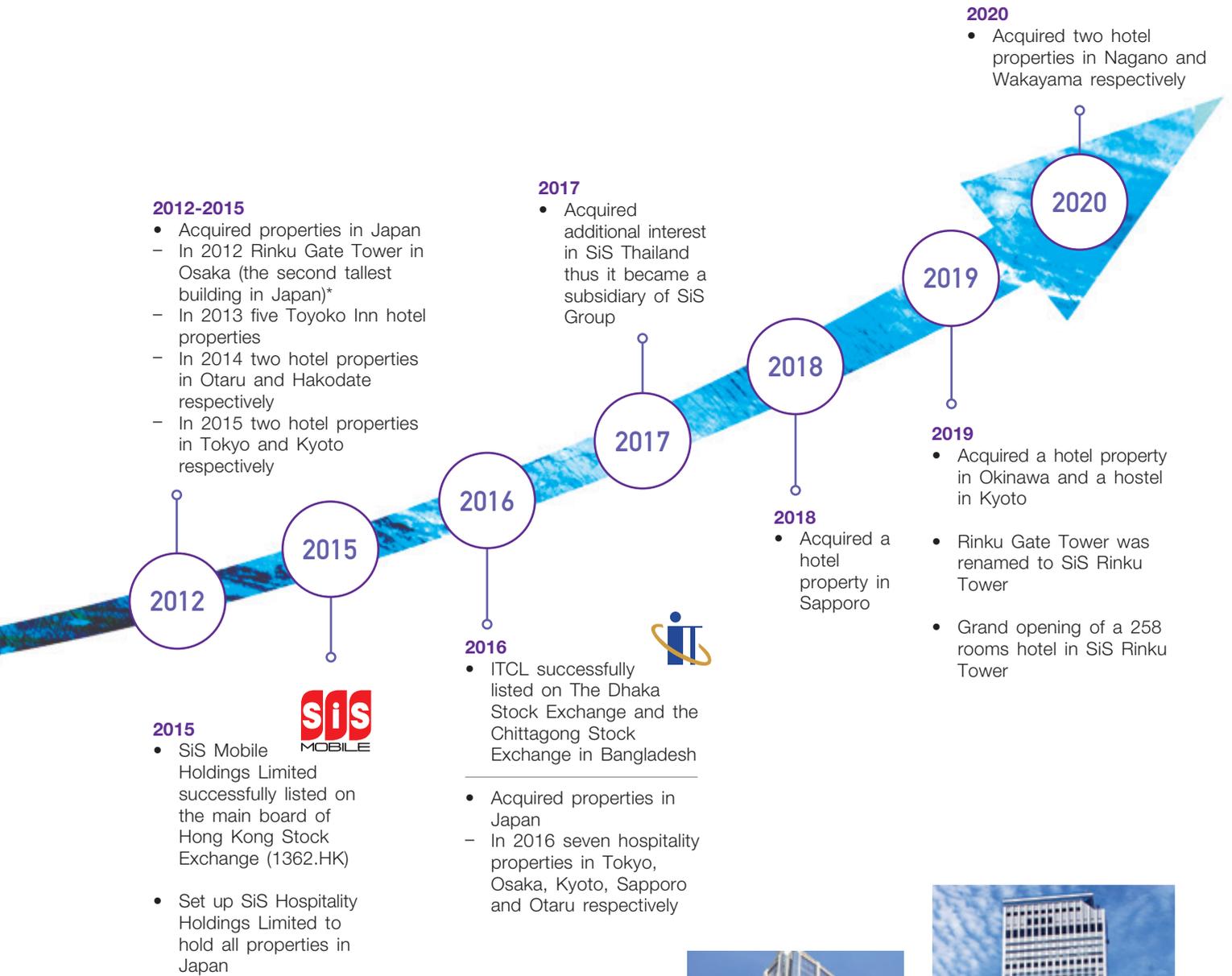
- One of the first to introduce smartphones in Asia



**2004**

- SiS Thailand successfully listed on Thailand Stock Exchange (SIS.TH) in less than 5 years after it was invested by SiS Group in 2000





\* based on encyclopedia Wikipedia on 23 November 2012.

## Message from the Chairman and CEO

Dear Shareholders,

This was an unprecedented year and had not been easy one as we faced the Coronavirus (Covid-19), trade war and unstable financial markets. Covid-19 pandemic continued to disrupt businesses around the world and recovery is taking longer than expected. After a year, we are still in the midst of the pandemic.

I would like to share the 2020 Annual Report of the Group with our shareholders for the year ended 31 December 2020.

For the year, the revenue grew 18% to HK\$7,576 million with 14% increase in gross profit, the Group reported a loss after tax of HK\$253,851,000 due mainly by a fair value loss of HK\$581,094,000 (2019: fair value loss HK\$28,654,000) from its investment properties and properties, plants and equipment, including hospitality properties. Except for the fair value losses, the Group maintained positive segment profit from all the businesses.

Total assets of the Group decreased 2% to HK\$9,120 million. Net assets value per share decreased from HK\$14.3 to HK\$13.4.

### BUSINESS REVIEW

#### Real Estate Investments Business

The Group added two (2) hotel properties in Japan in the early part of the year bringing it to a total of twenty two (22). Carrying value of all properties in Japan stood at HK\$3,152 million as at 31 December 2020 while the value of investment properties in Hong Kong, Singapore and Thailand amounted to HK\$1,653 million.

The segment revenue is comprised of all leasing income in Japan, Hong Kong and Singapore as well as hotel operations income from hospitality properties in Japan. Total lease and hotel operation income from real estate investment business rose marginally to HK\$283,458,000 during the year.

The pandemic has brought about profound impact to world economy. Japan suffered its worst ever crisis in its tourism and hospitality sectors when countries close their borders to attempt to stifle and control the pandemic. As a result, the Group recorded loss of HK\$556,649,000 (2019: HK\$13,115,000) from change in fair valuation of investment properties and an impairment loss of HK\$24,445,000 (2019: HK\$15,539,000) from property, plant and equipment. The fair value changes are non-cash in nature. We believe the long-term value of these properties remain positive. Segment profit (excluding change in fair value loss of properties and listing fee) amounted to HK\$150,967,000 compared with HK\$167,106,000 last year.

#### Distribution Business

During the year, total revenue from distribution business grew 19% from HK\$6,136,526,000 to HK\$7,292,659,000 as compared to the preceding year attributed primarily to the expansion of product range and sale channels actively. We continued to perform well during the pandemic with growth being derived from SiS Thailand and SiS Mobile. SiS Mobile reversed its losses from previous year and was profitable as it continued to expand into new channels of business. As a result, total segment profit of distribution business increased 26% to HK\$211,428,000.

## Message from the Chairman and CEO

### Investment in IT, Securities and other Businesses

Business in Information Technology Consultants Limited (“ITCL”), our associated company in Bangladesh remained stable and contributed steadily to the Group. It continued to lead and also expanded its electronic payment services to the markets.

The Group’s securities investment recorded segment profit of HK\$9,605,000 as compared to a loss of HK\$28,298,000 in the last corresponding year. The Group will continue to hold on to its securities portfolio and whilst seeking out to divest or invest in promising securities when opportunity arises.

### PROSPECT

The effects of Covid-19 on the world economy are likely to continue into 2021.

The pandemic has ravaged economies worldwide and severely affected businesses in many sectors especially so in the travel, tourism and hospitality related industry. After a difficult year, there are causes of optimism in 2021. The acceleration of global roll-out of the vaccine will provide an opportunity to get Covid-19 under control and gradually lift businesses and give rise to global economic recovery and travel resumption in the foreseeable future.

Adapting to these challenges, the directors are moving ahead cautiously amid the pandemic situation. The Group will continue to manage its business costs cautiously in tandem with market changes and transform our business to meet the changing life style and market conditions.

Life and businesses will not be the same again. We hope that the sky will open again and return to normalcy sometime in the near future.

### APPRECIATION

On behalf of the Board, I want to thank and say how grateful I am to the commitments and the dedication of our staff, customers, vendors, business partners, banks, shareholders and those who are rallying behind us. It is to their credit and that of the senior management team that we have been able to conduct our business effectively in light of this challenging environment.

**Lim Kia Hong**  
*Chairman and CEO*

Hong Kong, 26 March 2021



# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had total assets of HK\$9,119,715,000 which were financed by total equity of HK\$3,711,077,000 and total liabilities of HK\$5,408,638,000. The Group had a current ratio of approximately 0.88 compared to that of approximately 0.93 at 31 December 2019.

As at year end 2020 the Group had HK\$1,245,843,000 (2019: HK\$1,122,850,000) bank deposits balances and cash of which HK\$450,733,000 (2019: HK\$454,759,000) was pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank borrowings and bonds. As at 31 December 2020, the Group had short term borrowings and bonds of HK\$2,671,667,000 (2019: HK\$2,472,273,000) and long term borrowings and bonds of HK\$1,303,392,000 (2019: HK\$1,511,292,000). The borrowings were mainly denominated in Japanese Yen, Thai Baht, United States Dollar and Hong Kong Dollar, and were charged by banks at floating interest rates.

At the end of December 2020, the Group had a net cash deficit (total bank borrowings and bonds, less bank balances and cash and pledged deposits) of HK\$2,729,216,000 (2019: HK\$2,860,715,000).

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 31 December 2020 was 107% (2019: 100%).

## CHARGES ON GROUP ASSETS

At the balance sheet date, the Group's had pledged deposits of HK\$450,733,000 (2019: HK\$454,759,000), investment properties with carrying value of HK\$4,199,372,000 (2019: HK\$4,705,311,000) and property, plant and equipment with carrying value of HK\$307,627,000 (2019: HK\$344,743,000) were pledged to banks to secure general banking facilities granted to the Group and for purchase of real estates and working capital. Certain shares of subsidiaries have been pledged to the banks as at 31 December 2019 and 2020 to secure several banking facilities available to the Group.

## NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES

The number of staff of the Group as at 31 December 2020 was 765 (2019: 700) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments and share option expenses, amounted to HK\$175,944,000 (2019: HK\$179,333,000) for the year ended 31 December 2020. In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the year ended 31 December 2020, no share options have been exercised. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

## Management Discussion and Analysis

### ENVIRONMENTAL, SOCIAL AND CORPORATION RESPONSIBILITY

As a responsible company, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including employment, workplace conditions, health and safety and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

### RELATIONSHIP WITH KEY STAKEHOLDERS

The Group maintains strong relationship with its employees, has enhanced cooperation with its vendors and has provided high quality products and services to its customers and resellers so as to ensure sustainable development. Details of the environmental, social and governance are included in the Environmental, Social and Governance Report which will be included in the 2020 annual report.

### CURRENCY RISK MANAGEMENT

Certain purchase of goods of the Group are dominated in United States dollar. Certain bank balances are dominated in United States Dollar, Australian Dollar, Singapore Dollar, Japanese Yen and Renminbi, while certain bank borrowings are dominated in United States Dollar and Japanese Yen. These currencies are other functional currencies of the relevant group entities. The Group currently does not have comprehensive currency hedging policy. However, the management monitors the currency fluctuation exposure and has entered into foreign currency forward contracts. At 31 December 2020 the Group had outstanding forward contracts of notional amount HK\$117,133,000 (2019: HK\$226,239,000) which were measured at fair value at the reporting date.

# Corporate Governance Report

## CODE ON CORPORATE GOVERNANCE PRACTICES

On 23 September 2005, the Company has adopted its own corporate governance code (with subsequent amendments) which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the “Code”) as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Material deviations from the Code are explained in the report below.

## BOARD OF DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board currently comprised of four Executive Directors, namely Messrs. Lim Kia Hong (Chairman and Chief Executive Officer), Lim Kiah Meng, Lim Hwee Hai, and Madam Lim Hwee Noi, and three Independent Non-Executive Directors (the “INED”), namely, Mr. Lee Hiok Chuan, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael. Messrs. Lim Kia Hong and Lim Kiah Meng, and Madam Lim Hwee Noi are brother and sister. Mr. Lim Hwee Hai is spouse of Madam Lim Hwee Noi. Biographical details of each Director and relationship between board members are set out on page 25 and 26 of the annual report.

Each of the INED has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. One of the INED has more than twenty years experience in corporate banking, corporate finance and management.

The INEDs Mr. Lee Hiok Chuan and Ms. Ong Wui Leng are not appointed with a specific term as required by Code A.4.1, but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Company’s Bye-Laws 99(B). As such, the Directors consider that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less than exacting than those in the Code.

According to the Bye-Laws of the Company, at each annual general meeting one-third (or the number nearest to one-third) of the Directors at the time being shall retire from office provided that notwithstanding anything therein, the Chairman of the Board and Managing Directors of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This deviates from the provision in Code A.4.2 which requires every Director to be subject to retirement by rotation at least once every three years. The Directors consider the deviation acceptable as the position of chairman shall be elected after the next Annual General Meeting. Also in view of the small number of the total Directors of the Company, the deviation is not material.

## Corporate Governance Report

The positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. Lim Kia Hong who is responsible for the charting of corporate strategies and direction of the Group. As Chairman of the Board, Mr. Lim provides leadership and plays a pivotal role fostering constructive dialogue between the Board, shareholders and management. As the Vice Chairman of the Board, Mr. Lim Kiah Meng plays a key role in developing operating policies and business development and ensures the effectiveness and efficiency of the business operations of the Group. According to the Bye-Laws of the Company, the position of chairman and vice-chairman shall be elected after next Annual General Meeting to be held on 28 May 2021. The deviation from the Code A.2.1 is considered acceptable.

### DIRECTORS NOMINATION POLICY

The nomination, appointment and removal of Directors are considered by the Nomination Committee. The Nomination Committee shall made recommendation to the Board whenever they consider appropriate.

The Company consolidated its nomination procedures and selection criteria of directors into the nomination policy of the Company (the "Directors Nomination Policy"), which was approved and adopted by the Company, and was effective on 1 January 2019. The summary of the Nomination Policy is as follows:

When considering a candidate nominated for directorship or a director's proposed re-appointment, the Board will take into account the following factors as a reference:

- the candidate's character and honesty;
- whether the qualification, skills, experience, industry knowledge of the candidate meet the business needs or are in line with the long term development of the Company;
- effect on the board's composition and diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and the compliance with the board diversity policy of the Company;
- commitment of the candidate to devote sufficient time to effectively discharge his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- the requirement of appointing independence non-executive directors to the board under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the independence of a candidate pursuant to Rule 3.13 of the Listing Rules;
- any potential/actual conflicts of interest that may arise if the candidate is selected;
- for the appointment or re-appointment of independent non-executive directors, the independence of the candidate and his/her immediate family from the Company; and
- in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

the above factors are for reference only, and not meant to be exhaustive and decisive.

## Corporate Governance Report

Subject to the provisions in the Company's Articles of Association, if the Board recognizes the need to appoint an additional director, the following procedures should be adopted:

- the Board shall call a meeting and invite nominations of candidates from the Nomination Committee of the Company for consideration by the Board prior to its meeting;
- the Board may use any process it deems appropriate to assess the suitability of and the potential contribution to the Board by the candidates based on (but not limited to) the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references;
- the Board shall hold a physical meeting to consider the matter and avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held; and
- the Board shall provide to the Shareholders for its consideration with all the information required, including information set out in Rule 13.51(2) of the Listing Rules in relation to the candidates.

In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular accompanying the notice of the relevant general meeting will be sent to shareholders of the Company. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the notice to shareholders of the Company in due course.

### BOARD DIVERSITY

The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Company considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, and professional background and skills of the Directors.

## Corporate Governance Report

### BOARD COMMITTEES

The Board has established three Committees. The table below provides membership information of these Committees on which certain Board members serve:

<b>Directors</b>	<b>Audit Committee</b>	<b>Nomination Committee</b>	<b>Remuneration Committee</b>
Mr. Lim Kia Hong	—	C	M
Mr. Lim Kiah Meng	—	M	M
Mr. Lee Hiok Chuan	M	M	M
Ms. Ong Wui Leng	C	M	C
Mr. Ma Shiu Sun, Michael	M	M	M

*Notes:*

C — Chairman of the relevant Committee

M — Member of the relevant Committee

### AUDIT COMMITTEE

The Audit Committee is comprised of all INED. Ms. Ong Wui Leng was appointed as the Chairlady of the Audit Committee.

The main duties of the Audit Committee include:

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-year and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal control and risk management systems; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has met three times during the year ended 31 December 2020 and has reviewed the managements accounts, half-year, and annual financial results of the Group and its subsidiaries. Certain recommendations have been made to the internal control of the Company and its subsidiaries. Audit Committee had met the external auditors without the present of Executive Directors on reviewing the half year and annual financial results.

## Corporate Governance Report

### NOMINATION COMMITTEE

The Nomination Committee was set up with written terms of reference with effect from 28 March 2012 and is comprised of all INED and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng. Mr. Lim Kia Hong is the Chairman of the Nomination Committee.

The duties of the Nomination Committee shall be:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independency of independent non-executive directors; and
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

A meeting was held during the year ended 2020 to review and discuss the composition of the Board of the Company, and to assess the independency of independent non-executive directors. The Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporate governance of the Company and manage the operations of the Group.

### REMUNERATION COMMITTEE

The Remuneration Committee was set up on 23 September 2005 and is comprised of all INED, and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng, with Ms. Ong Wui Leng as Chairlady from 27 March 2012 onwards.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to Executive Directors and senior management. A meeting was held during the year ended 31 December 2020, and the members had reviewed the remuneration policy and determined remuneration of Directors.

## Corporate Governance Report

Pursuant to Code Provision B.1.5 of the Code, details of the annual remuneration of the directors and senior management by band for the year ended 31 December 2020 are as follows:

Remuneration band	Number of individuals
HK\$1 to HK\$1,000,000	3
HK\$1,000,000.01 to HK\$3,000,000	1
HK\$3,000,000.01 to HK\$5,000,000	3

Details of the remuneration of each director for the year ended 31 December 2020 are set out in note 13 to the consolidated financial statements.

### CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties which have been formalised into the terms of reference of the Board, a summary of which are as follows:

- develop and review the Company's policies and practices on corporate governance and make recommendation to the Board;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Board performed its corporate governance duties. The Board has reviewed the code of corporate governance of the Company for adoption of amendments to the Listing Rules, approval of the Dividend Policy, Directors Nomination Policy, Board Diversity Policy and the procedures for shareholders to propose a person for election as director (which has been disclosed in the Company's website). Corporate Governance Report contained in this Annual Report has approved by the Board.

### DIRECTORS' SECURITIES TRANSACTION

The Company adopted its own code of conduct regarding Directors' dealing in securities on 23 September 2005 (the "Code of Conduct") with subsequent amendments thereafter. The term of the Code of Conduct are no less exacting than the required standard set out in the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors of the Company have complied with the Model Code and the Company's Code of Conduct.

## Corporate Governance Report

### DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements which give a true and fair view of the state of affair of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 39 to 44.

### AUDITORS' REMUNERATION

During the year ended 31 December 2020, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide the following services.

	<b>Service fee</b> HK\$'000
Audit services	4,535
Tax advisory	14
Other services	600
	<u>5,149</u>

### ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2020:

	<b>General Meeting</b>	<b>Board</b>	<b>Audit Committee</b>	<b>Nomination Committee</b>	<b>Remuneration Committee</b>
Number of meeting during the year	(1)	(8)	(3)	(1)	(1)
<b>Executive Directors</b>					
Lim Kia Hong	1	8	N/A	1	1
Lim Kiah Meng	1	8	N/A	1	1
Lim Hwee Hai	—	7	N/A	N/A	N/A
Lim Hwee Noi	—	7	N/A	N/A	N/A
<b>Independent Non-Executive Directors</b>					
Lee Hiok Chuan	1	8	3	1	1
Ong Wui Leng	1	8	3	1	1
Ma Shiu Sun, Michael	1	8	3	1	1

## Corporate Governance Report

### RISK MANAGEMENT AND INTERNAL CONTROLS

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the risk management and internal control system periodically and enhance the system when necessary. The Company has internal audit functions. The internal auditors reviewed the risk management and internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, the Directors conduct three reviews of the effectiveness of the system of the internal control and risk management of the Group during the year. The Directors considered that the systems adequate and effective.

### DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. During the year 2020, the Company had organised a seminar regarding the latest developments in listing rules and other applicable regulatory requirement for the directors, to ensure compliance and enhance their awareness of good corporate governance practices. In addition, individual directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials. The Company has devised a training record to assist the Directors to record the training they have undertaken.

During the year, the Directors participated in continuous professional development activities as set out below:

	<b>Attending trainings/ briefings/seminars</b>
<b>Executive Directors</b>	
Lim Kia Hong	✓
Lim Kiah Meng	✓
Lim Hwee Hai	✓
Lim Hwee Noi	✓
<b>Independent Non-Executive Directors</b>	
Lee Hiok Chuan	✓
Ong Wui Leng	✓
Ma Shiu Sun, Michael	✓

## Corporate Governance Report

### COMPANY SECRETARY

Ms. Chiu Lai Chun, Rhoda has been appointed as company secretary of the Company since 2004. She is a Certified Public Accountant in Hong Kong. She has fulfilled the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2020.

### INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To enhance the communication with investors, or shareholders, the Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange of Hong Kong; (d) meeting with investment fund manager and investors; and (e) the Company's web-site providing an electronic means of communication.

The shareholders' meeting in 2020 was the annual general meeting held on 5 June 2020 at 23/F Club Lusitano, 16 Ice House Street, Central, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2019; to re-elect directors; and approve the general mandates for the issue and repurchase of the Company's share.

During the year under review, the Company has not made any changes to its Bye-Laws. An up to date version of the Company's Bye-Laws is available on web-sites of the Company and the Stock Exchange of Hong Kong. Shareholders may refer to the Company's Bye-Laws for further details of their rights.

### SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Bye-Laws, a special general meeting shall be convened on the written requisition of any two or more shareholders holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the shareholders and deposited at the Company's office.

For avoidance of doubt, a general meeting other than an annual general meeting or a meeting for the passing of special resolutions shall be called by notice in writing of not less than a period which is the longer of fourteen days and ten clear business days.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

803 Nine Queen's Road Central, Hong Kong  
Fax: (852) 2138 3928  
Email: enquiry@sis.com.hk

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the web-sites of the Company ([www.sisinternational.com.hk](http://www.sisinternational.com.hk)) and the Stock Exchange of Hong Kong ([www.hkexnews.hk](http://www.hkexnews.hk)) immediately after the relevant general meetings.

# Environmental, Social and Governance Report

## ENVIRONMENTAL

Unless otherwise specified, the environmental data covers the Group's operation in Hong Kong, Singapore and Japan. The Group's operation in Thailand has become a subsidiary by end of 2017. As it is listed in Thailand with its own EGS report, the data of Thailand was excluded from this report.

During the year, the Group has made its best endeavours to protect the environment from its business activities and workplace. The Group also educates its employees on their awareness of promoting a green environment. The Group seeks to identify and manage environmental impacts attributable to its operation, in order to minimise these impacts if possible.

### A1. Emissions

The Group invests in income generating properties or properties with the potential to appreciate in value. Most of the properties are for office and hospitality usage purposes. Properties are leased to tenants/hotel operators for stable lease income. Therefore the hospitality operation attributes greenhouse emission for the Group. The Group has taken steps to closely monitor and minimize environmental impacts in its hospitality operation.

For our 56-storey iconic building involving hospitality, office and conventional centre located in Japan, an energy system was installed by an Energy Service Company ("ESCO") in 2015 for energy saving purpose. The ESCO is engaged to monitor the effectiveness of new heat source system regularly. Electricity, heating & gas ("Energies") was saved continuously since 2015.

During 2020, there were four hospitality buildings in Japan running by the Group, but there was short-term suspension of hotel business in Japan caused by outbreak of Covid-19. As a result the CO<sub>2</sub> emission was reduced.

We are also the pioneer in technology product distribution in Asia with an extensive reseller channel network representing many world renowned vendors. No generation on hazardous waste as we are not manufacturers.

Emissions of greenhouse gases by the Group were mainly contributed by the consumption of purchased electricity, heating and gas consumption in hospitality business.

<b>CO<sub>2</sub> Emission (Tonnes)</b>	<b>2020</b>	<b>2019</b>
Energy indirect emission	<b>4,068</b>	4,496
Other indirect emission	<b>14</b>	51
	<b>4,082</b>	4,547

Other indirect emission is mainly from paper usage in offices and senior management's air travel. It amounted to 14 tonnes CO<sub>2</sub> for the year ended 31 December 2020 (2019: 51 tonnes CO<sub>2</sub>). Lower emission as there was no air travel during the year.

Non-hazardous waste produced (paper waste, printer cartridges, tonner bottle) was 2,963 kg for 2020 (2019: 4,738kg).

## Environmental, Social and Governance Report

### A2. Use of Resources

Electricity consumption and water consumption were mainly attributable to its hospitality business. For 2020, total Energies consumption was 9,377,000 kWh (2019: 8,853,000 kWh), whereas the water usage was 44,167 cubic metre (2019: 166,022 cubic metre).

For distribution business, most of the goods were delivered to our resellers at original packaging. No material additional packaging materials were required.

Air conditioners, computers and office lights are switched off during non-business hours, to minimize light pollution and reduce energy consumption.

### A3. The Environment and Natural Resources

To create a green workplace, we encourage reducing, reusing and recycling of materials to minimizing wastage in daily operations. For energy saving and greenhouse emission reduction, energy system was installed in our iconic building in Japan for energies saving, recycling bins are provided at our offices with waste paper and used toner cartridges collected for recycling. The Group encourages its employees to handle documents electronically. When the use of paper is required, documents are required to use double-sided printing. In addition, we arranged conference calls or video conference instead of face-to-face meetings where possible.

The Producer Responsibility Scheme (“PRS”) on waste electrical and electronic equipment (“WEEE”), also known as WPRS, aims to promote recycling and proper disposal of WEEE generated in Hong Kong. With effect from 1 August 2018, our products, including mobile phones, tables, monitors and laptops are covered in the “Regulated Electrical Equipment” or (“REE”). As a distributor or reseller, when we sell REE and if requested by customers, we should arrange for the customer a free removal service to dispose of the same class of equipment abandoned by the customer in accordance with the endorsed plan. We must also provide recycling labels to customers purchasing REE, and a receipt containing the prescribed wording on the recycling levies. We have removal service plan endorsed by the Environmental Protection Department for selling REE. During the period, the Group has complied relevant statutory requirement when selling REE.

## SOCIAL

### B1. Employment and Labour Practices

#### Employment, Remuneration and Benefits, Recruitment and promotion

The Group is always complying with the labour regulations and associated guidelines. Our full-time staffs are entitled to paternity and compassionate leaves, healthcare and mandatory provident fund in respective jurisdiction. We apply equal opportunity and non-discrimination in recruitment, promotion and all other aspects of our employment practices. We encourage a healthy work-life balance among staffs. As at 31 December 2020, the Group had a total of 234 (2019: 163) permanent staffs. 47% (2019: 71%) are located in Hong Kong and the remaining are located in Singapore and Japan. To attract, motivate and retain experience staffs, we reviewed their pay packages annually with prevailing market conditions to ensure they are competitive under volatile and severe market. To create incentives for directors and senior staffs to work with commitment toward enhancing the value of the Group and its shareholders, the Company adopted share option scheme and grant share options to eligible staffs of the Group since 1992.

## Environmental, Social and Governance Report

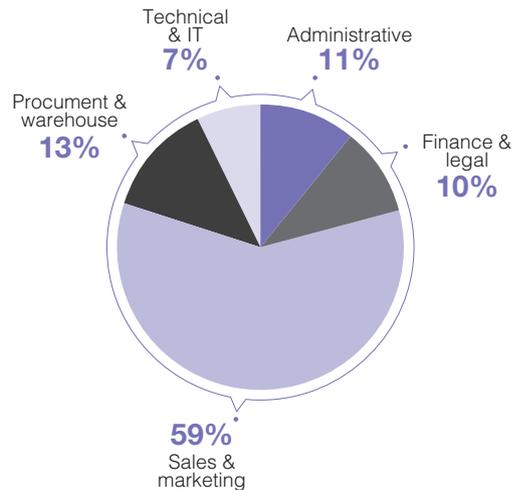
### Workforce by gender:

	Hong Kong	Singapore	Japan	Total
Male	51%	50%	49%	50%
Female	49%	50%	51%	50%

### Workforce by age group:

	Hong Kong	Singapore	Japan	Total
Below 30	17	0	28	45
Age 31–50	67	2	50	119
Over 50	25	6	39	70
Number of staffs	109	8	117	234

### Workforce by function:



### Diversity and Equal Opportunities

The diversity of our employees provides us with a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues. At a senior management level, our board diversity policy guides the Group's approach to selection of candidates taking into account an extensive range of characteristics, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

## Environmental, Social and Governance Report

### B2. Health and Safety

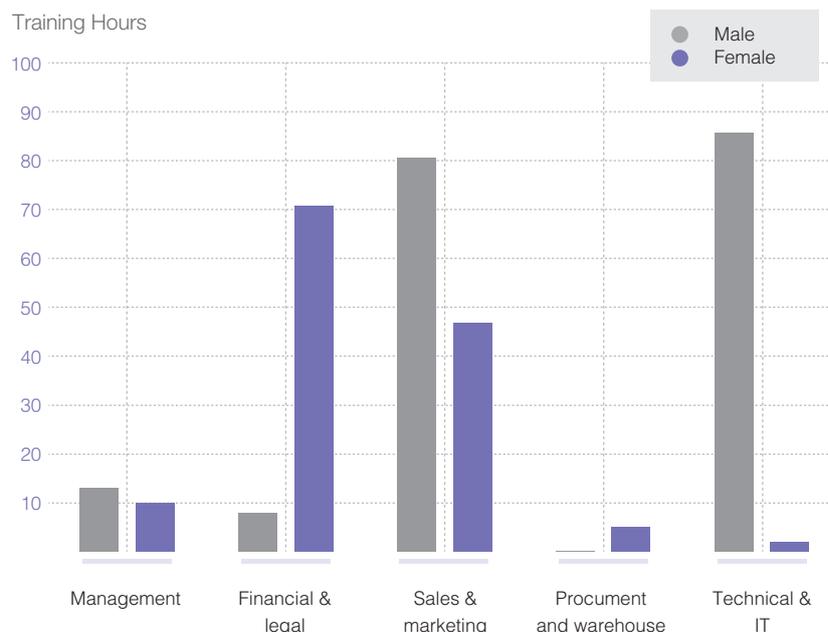
The Group provided a safe and healthy environment in the work places for all staffs. The staff turnover rate was low and there was no reported lost days caused by injury.

In early 2020, in order to ensure the safety of our staffs in response to the coronavirus (Covid-19), we are vigilantly monitoring the Covid-19 situation around the clock and have precautions in place to ensure a healthy and safe working environment: wearing masks, using cleaning gel, temperature measurement, encourage wash hand frequently, virus tests if suspicion etc. and using video conference instead of business trip during the year.

### B3. Development and Training

As a distributor of renowned brands information technology products, mobile phones and related products, our sales force and technical staffs processes broad knowledge of networking, storage, and mobility products in order to provide the best services to our resellers. We worked closely with suppliers to keep our sales teams updating to the latest technology and features of new products. The Group understands training and development is one of the keys to success. We offer both internal and external training to our key staffs. Total training hours offered in 2020 was 323 hours (2019: 576 hours) for 40% (2019: 74%) staffs, average 3 hours (2019: 5 hours) per trained staff. Those training were focusing on product knowledge, accounting and regulatory compliance update.

#### Year 2020 training hours by gender and function:



The Group also encourages and provides subsidies to employees to pursue educational or training opportunities that achieve personal growth and professional development.

## Environmental, Social and Governance Report

### B4. Labour Standards

The Group has complied with relevant labour regulations, government regulations in Hong Kong, Singapore and Japan. The Group does not employ staffs who are below 18 years of age. No employee is paid less than the minimum wage specified by the government regulations. Monthly salary payments, the Mandatory Provident Fund Scheme or Central Provident Fund Scheme payment are made on time.

During recruitment process, verification of applicant's identity information is required and recruitment of child labour is strictly prohibited. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience would not be employed. The Group enters employment contract with each of its employee in accordance with relevant laws and regulations in its operating jurisdiction and also prohibits forced labour.

### B5. Supply chain management

Sound supply chain management ensures the Group to sustain its business operations and development. As well as leveraging our extensive network of information technology distribution, we have maintained strong relationships with our suppliers. When selecting suppliers, the Group takes factors into account such as quality of products and functionality, price, reliability and anticipated market acceptance. The Group expects suppliers to observe the environmental, social, health and safety and governance considerations in their operations.

Currently we procured over 40 internationally renowned brands from our suppliers. 89% (2019: 80%) of the top 5 supply was supplied domestically, the remaining was mainly supplies from USA, the PRC and others.

For hospitality, our hotel operators have many year of experience in hotel business. We have built strong relationships with our property assets managers, lenders, as well as accounting and tax advisors.

### B6. Product responsibility

The marketing of information technology, mobility and related products to general public are usually devised by suppliers and the Group is also providing marketing services to our suppliers. During holidays and festivals, we work with our suppliers to offer products at promotional prices through print and media advertising campaigns.

Suppliers provide warranty on the products they supplied to the Group for distribution. Suppliers are responsible for providing or procuring the provision of in-warranty service to the end users. Generally the warranty provided by the suppliers has a term from one to three years. The Group also adopts following quality control policies on the products to be sold:

- Inventory management team performs a series of inspection upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and
- If any defects are identified, the relevant product will be returned to the supplier for replacement.

End users safety is always in the top priority. The Group takes speedy action together with our suppliers for any quality issues at all time.

## Environmental, Social and Governance Report

The Group is committed to abide by the laws and regulations in relation to intellectual property protection. During the year, we have not received any cases of infringement of intellectual property rights. We are also not aware of any suspected cases of infringement of intellectual property rights of the products that we were distributed in 2020.

The Group is also committed to abide by the Personal Data (Privacy) Ordinance. Personal data shall be highly protected. Privacy policy and personal information collection statements in our websites demonstrate a commitment to safeguarding each personal data privacy. Employees are committed not to disclose confidential information, including information related to suppliers and customers whether orally or in writing or in any other media which are not publicly known.

### **B7. Anti-corruption**

In our Code of Conduct and Whistle-blowing Policy, which defines the Group's stance on conflicts of interest, intellectual property rights, privacy and confidentiality of information, bribery, corruption and non-competition. All employees are required to adhere.

In addition, seminars would be held to update staff on any changes to regulations and to refresh their knowledge on aspects of ethical practices when applicable.

During the year, there were no incidents of corruption reported within the Group.

### **B8. Community**

In view of the work force and size of the Group, serving the community by way of cash and in-kind donations are considered most direct and effective.

In 2020, no donation was made to charitable organization because of uncertainty of the business environment.

## Directors' Profiles

### EXECUTIVE DIRECTORS

**LIM Kia Hong**, aged 64, brother of Mr. Lim Kiah Meng and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, is one of the co-founders of the Group. Mr. Lim graduated from University of Washington, US with a Bachelor's Degree in Business Administration. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the Group from a small privately-owned family business in Singapore to one of most dynamic business groups involving in distribution, ventures, investments and real estate businesses, Mr. Lim is involved in all phases of SiS Group's developments, he is responsible for the corporate planning, development and public relations of the Group.

Mr. Lim is also the chairman and non-executive director of SiS Mobile Holdings Limited ("SiS Mobile"), a company whose shares are listed on Stock Exchange on 15 January 2015. Since 2004, he has also been a non-executive director of SiS Distribution (Thailand) Public Company Limited ("SiS Thai"), a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of Information Technology Consultants Limited ("ITCL"), a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. He is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2020.

**LIM Kiah Meng**, aged 67, brother of Mr. Lim Kia Hong and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, joined the Group in 1986. He has over thirty years' experience in the I.T. industry, and is responsible for the Group's operations in Hong Kong, Singapore and Japan. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in International Management from the American Graduate School of International Management, US. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking.

Mr. Lim is also an executive director of SiS Mobile, a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2013, he has also been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. He is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2020.

**LIM Hwee Hai**, aged 71, the spouse of Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Kia Hong and Mr. Lim Kiah Meng, is one of the co-founders of the Group. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in Business Administration from the National University of Singapore. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He has over thirty years' experience in the I.T. industry and is responsible for the Group's operations in Thailand and the Asia-Pacific region.

Mr. Lim is also a non-executive director of SiS Mobile, a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2004, he has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. During September 2013 to May 2018, Mr. Lim was an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore. He is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2020.

## Directors' Profiles

**LIM Hwee Noi**, aged 70, the sister of Mr. Lim Kiah Meng and Mr. Lim Kia Hong, and spouse of Mr. Lim Hwee Hai, joined the Group in 1983 and is the Finance Director of the Group. Madam Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore. She has been a Chartered Accountant in Singapore for more than thirty years. Madam Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. Since December 2017, she has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. She is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2020.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**LEE Hiok Chuan**, aged 86, joined the Group in 1992 and is an investment consultant in Hong Kong. Mr. Lee has over forty years' experience in finance and banking in Hong Kong.

**ONG Wui Leng**, aged 60, joined the Group in 2004 and has more than ten years of experience in corporate banking. She also has many years of experience in corporate finance and management. Ms. Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies and completed her Master of Practising Accounting from Monash University, Australia. During April 2013 to May 2020, Ms. Ong is an independent non-executive director of Hwa Hong Corporation Limited, a company whose shares are listed on the Stock Exchange of Singapore. From 1 January 2017, Ms. Ong is also an independent non-executive director of QAF Limited, a company whose shares are listed on the Stock Exchange of Singapore.

**MA Shiu Sun**, Michael, aged 52, joined the Group in 2012 and holds a Bachelor of Science (Economics) from London School of Economics, University of London, a Bachelor of Laws from University of Sydney and a Postgraduate Certificate of Laws (P.C.LL) from University of Hong Kong. Mr. Ma has been a practicing lawyer for over ten years and is practicing as a partner and notary public in a Hong Kong law firm in the areas of commercial and corporate matters.

# Directors' Report

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

## PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries and associates are set out in notes 46 and 20 respectively, to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss on page 45.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is set out on pages 6 to 9 of this Annual Report.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 144. The summary does not form part of the audited consolidated financial statements.

## INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$71,326,000 and HK\$21,159,000 on acquisition of investment properties and property, plant and equipment respectively.

The Group has revalued all its investment properties and hospitality property in property, plant and equipment at the year ended date. The loss from change in fair value amounted to HK\$556,649,000 and HK\$24,445,000 respectively, which had been debited to the consolidated statement of profit or loss directly.

Particulars of investment properties and properties held for hotel operation of the Group at 31 December 2020 are set out on pages 145 to 148.

Details of the movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 16 and 17 respectively to the consolidated financial statements.

## SHARE CAPITAL

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

## Directors' Report

### DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2020 were as follows:

	2020 HK\$'000	2019 HK\$'000
Contributed surplus	29,186	29,186
Retained profits	<u>1,037,478</u>	<u>1,033,127</u>
	<u>1,066,664</u>	<u>1,062,313</u>

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

### DIVIDEND POLICY

The Board of the Company may declare and distribute dividends to the shareholders of the Company, provided that the Company records a profit and that the declaration and distribution of dividends do not affect the normal operations of the Company and its subsidiaries (the "Group"). The Board may, subject to the Articles of Association of the Company, make recommendation to the shareholders on the distribution of final dividends and may from time to time pay to the shareholders interim dividends based on the financial position of the Company. The Company's ability to declare dividends will depend on, among others, the operating results and earnings, capital requirements, general financial condition, prevailing economic environment and other factors of the Company which the Board then consider relevant, and the interest of the shareholders and the Company as a whole.

### DIRECTORS

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

#### Executive directors:

Mr. Lim Kia Hong  
Mr. Lim Kiah Meng  
Mr. Lim Hwee Hai  
Madam Lim Hwee Noi

#### Independent non-executive directors:

Mr. Lee Hiok Chuan  
Ms. Ong Wui Leng  
Mr. Ma Shiu Sun, Michael

## Directors' Report

### DIRECTORS (CONTINUED)

In accordance with the provisions of the Company's Bye-Laws, Mr. Lim Kiah Meng and Mr. Lee Hiok Chuan retire from office and, being eligible, offer themselves for re-election.

The term of office of Mr. Lee Hiok Chuan and Ms. Ong Wui Leng, as the independent non-executive directors are the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws. Mr. Ma Shiu Sun, Michael, is appointed as an independent non-executive director for an additional period of three years to 31 March 2024 and is also subject to the retirement by rotation in accordance with the Company's Bye-laws.

### DIRECTORS' SERVICE CONTRACTS

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

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2020.

### PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-Laws and subject to the provisions of and so far as may be permitted by the Companies' Act of Bermuda, every Director, auditor, secretary or other officer of the Company and every agent or employee of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in or about the execution and discharge of his duties or in relation thereto including any liability incurred by him in defending any proceeding, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as officer or employee of the Company and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any law for relief from liability in respect of any such act or omission in which relief is granted to him by any court of competent jurisdiction.

The Company has put in place appropriate insurance cover in respect of Directors and officers' liability throughout the year.

## Directors' Report

### DIRECTORS' INTERESTS IN SHARES

At 31 December 2020, the interests of the directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("HKEX") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### (i) Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal interests	Family interests	Joint interests (Note 1)	Corporate Interests (Note 2)	Total number of issued ordinary shares held	Percentage
						of the issued share capital of the Company
Lim Kia Hong	6,933,108	400,000	—	178,640,000	185,973,108	66.90%
Lim Kiah Meng	5,403,200	250,000	534,000	178,640,000	184,827,200	66.49%
Lim Hwee Hai (Note 3)	4,493,200	4,751,158	—	—	9,244,358	3.33%
Lim Hwee Noi (Note 3)	4,751,158	4,493,200	—	—	9,244,358	3.33%
Lee Hiok Chuan	250,000	—	—	—	250,000	0.09%
Ong Wui Leng	250,000	—	—	—	250,000	0.09%

Notes:

- (1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (3) 4,493,200 shares and 4,751,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

#### (ii) Share Options

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out in "Share Options" below.

## Directors' Report

### DIRECTORS' INTERESTS IN SHARES (CONTINUED)

#### (iii) Long positions in the shares and underlying shares of subsidiaries of the Company

- (a) Ordinary share of HK\$0.10 each of SiS Mobile Holdings Limited ("SiS Mobile"), which is listed on the Main Board of the HKEX (Stock Code: 1362)

Name of Director	Personal interests	Family interests	Joint interests <i>(Note 1)</i>	Corporate Interests <i>(Note 2 and 3)</i>	Total number of issued ordinary shares held	Percentage of the issued share capital of SiS Mobile
Lim Kia Hong	1,846,754	128,000	—	203,607,467	205,582,221	73.42%
Lim Kiah Meng	1,729,024	80,000	170,880	203,607,467	205,587,371	73.42%
Lim Hwee Hai <i>(Note 4)</i>	1,065,984	1,145,330	—	—	2,211,314	0.79%
Lim Hwee Noi <i>(Note 4)</i>	1,145,330	1,065,984	—	—	2,211,314	0.79%
Lee Hiok Chuan	64,000	—	—	—	64,000	0.02%
Ong Wui Leng	64,000	—	—	—	64,000	0.02%

Notes:

- (1) Shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) 146,442,667 shares are registered in the name of SiS International Holdings Ltd. It is owned as to approximately 50.50% by Gold Sceptre Limited.
- (3) Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of SiS Mobile. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (4) 1,065,984 shares and 1,145,330 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

## Directors' Report

### DIRECTORS' INTERESTS IN SHARES (CONTINUED)

#### (iii) Long positions in the shares and underlying shares of subsidiaries of the Company (continued)

- (b) Ordinary share of Baht 1 each of SiS Distribution (Thailand) Public Company Limited ("SiS Thai"), which is listed in the Stock Exchange of Thailand

Name of Director	Personal interests	Corporate Interests <i>(Note)</i>	Total number of issued ordinary shares held in SiS Thai	Approximate% of issued share capital of SiS Thai
Lim Kia Hong	241,875	224,510,470	224,752,345	63.60%
Lim Hwee Hai	244,687	—	244,687	0.07%

*Note:*

*The Company indirectly holds 224,510,470 ordinary shares of the issued capital of SiS Thai. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 66.90% in the Company, therefore Mr. Lim has deemed corporate interest in SiS Thai under the SFO.*

#### (iv) Share options of SiS Mobile, a subsidiary of the Company

On 16 December 2014 by written resolution, SiS Mobile adopted a share option scheme ("Scheme") pursuant to which selected participants may be granted options to subscribe for shares as incentive or rewards for their service rendered to the SiS Mobile group and any entity in which any member of the group holds any equity interest.

The purpose of the Scheme is to provide an incentive for any director, employee and qualified participant to work with commitment towards enhancing the value of SiS Mobile and its shares for the benefit of its shareholders, and to maintain or attract business relationship with the qualified participants whose contributions are or may be beneficial to the growth of the group. Directors believe that Scheme adopted by SiS Mobile enables the group to recruit and retain high caliber executives and employees.

The terms of the Scheme comply with the provisions of Chapter 17 of the Listing Rules.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of SiS Mobile in issue at the date when the Scheme was adopted. SiS Mobile may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of SiS Mobile in issue at any point in time, without prior approval from its shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of SiS Mobile's share capital or with a value in excess of HK\$5 million must be approved in advance by its shareholders.

## Directors' Report

### DIRECTORS' INTERESTS IN SHARES (CONTINUED)

#### (iv) Share options of SiS Mobile, a subsidiary of the Company (continued)

Options granted must be taken up within thirty business days from the offer letter together with a payment of HK\$100 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of SiS Mobile, and will not be less than the higher of the closing price of its shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Outstanding at 31 December 2020
<b>Directors and their associates:</b>				
<b>Lim Kia Hong</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
<b>Lim Kiah Meng</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
<b>Lim Hwee Hai</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
<b>Lim Hwee Noi</b>				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	200,000
				<u>4,200,000</u>

## Directors' Report

### DIRECTORS' INTERESTS IN SHARES (CONTINUED)

#### (v) Long positions in the shares and underlying shares of an associated corporation of the Company

Ordinary share of 10 Taka each of Information Technology Consultants Ltd. ("ITCL"), which is incorporated in Bangladesh, and is listed in The Dhaka Stock Exchange and The Chittagong Stock Exchange.

Name of Director	Corporate Interests (Note)	Approximate % of issued share capital of ITCL
Lim Kiah Meng	59,210,840	46.05%

Note:

*A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 10,863,862 ordinary shares in ITCL, while the Company indirectly holds 48,346,978 ordinary shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has total interest of 66.49% in the Company, therefore Mr. Lim has deemed corporate interest of 48,346,978 in ITCL under the SFO.*

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 31 December 2020.

### SHARE OPTIONS

A new share option scheme was adopted by the Company on 26 May 2017 (the "New Scheme"), while the old share option scheme adopted by the Company on 21 May 2007 had expired on 20 May 2017 (the "Old Scheme"). The Old Scheme and New Scheme are collectively referred as SiS International Share Option Scheme (the "SiS International Share Option Scheme"). Pursuant to the SiS International Share Option Scheme, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date when the New Scheme was adopted. The Company may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

## Directors' Report

### SHARE OPTIONS (CONTINUED)

Options granted must be taken up within ten business days from the offer letter together with a payment of HK\$100 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

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

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Outstanding number of share options at 1 January and 31 December 2020
<b>Directors and their associates:</b>				
<b>Lim Kia Hong</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Kiah Meng</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Hwee Hai</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lim Hwee Noi</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Lee Hiok Chuan</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
<b>Ong Wui Leng</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000

## Directors' Report

### SHARE OPTIONS (CONTINUED)

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Outstanding number of share options at 1 January and 31 December 2020
<b>Directors and their associates: (continued)</b>				
<b>Ma Shiu Sun, Michael</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
<b>Total directors and their associates</b>				<u>990,000</u>
<b>Employees and other qualified persons:</b>				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	420,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	420,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	420,000
<b>Total employees and other qualified persons</b>				<u>1,260,000</u>
<b>Total number of share options</b>				<u>2,250,000</u>

No share options were granted, exercised, lapsed or forfeited during the financial year.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its ultimate holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

During the year 2020, a subsidiary of the Company borrowed a short-term unsecured loan of HK\$40,000,000 from a connected party at interest rate of 1.35% per annum. Directors Mr. Lim Kia Hong, Mr. Lim Kiah Meng and his spouse have total 80% equity interest in the entity. The interest rate was reference to prevailing market rates offered by banks in Hong Kong. Loan amount and interest expense of total HK\$40,069,000 were fully repaid during the year. This transaction constitutes a connected transaction as defined in Chapter 14A of the Listing Rules. However, the transaction is exempt from announcement requirement and shareholders approval as it was fully exempt financial assistance received by the Group under Listing Rule 14A.90.

Other than disclosed above, no transaction, arrangement and/or contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Report

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, other than the interests disclosed above in respect of Directors and chief executives, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows and the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

#### Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Personal interests	Family Interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	700,000	1,220,000	12,146,000	14,066,000	5.06%
Lim Mee Hwa	1,220,000	700,000	12,146,000	14,066,000	5.06%

Notes:

- (1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa are spouse so they have deemed interest in their spouse's shares under the SFO.
- (2) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in a corporation which holds the shares of the Company as an investment manager.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was less than 30%. The five largest suppliers of the Group comprised approximately 44% by value of the Group's total purchases during the year, with the largest supplier accounted for 13%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers and suppliers.

### EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company has established the Remuneration Committee in September 2005.

The emoluments of the directors of the Company are reviewed and approved by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 38 to the consolidated financial statements.

## Directors' Report

### CHARITABLE DONATIONS

During the year, the Group did not make any charitable and other donations.

### PRE-EMPTIVE RIGHTS

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

### CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2020, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in the Corporate Governance Report of the Company.

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

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATION

The Company has complied with relevant laws and regulations that have significant impact on the Company including the laws in Bermuda, the Hong Kong Companies Ordinance, SFO, and the Listing Rules.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2020.

### AUDITORS

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

On behalf of the Board  
**SiS International Holdings Limited**

**LIM Kiah Meng**  
*DIRECTOR*

Hong Kong, 26 March 2021

# Independent Auditor's Report

# Deloitte.

# 德勤

## TO THE SHAREHOLDERS OF SIS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司

*(incorporated in Bermuda with limited liability)*

### OPINION

We have audited the consolidated financial statements of SiS International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 45 to 143, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

# Independent Auditor's Report

## KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Valuation of investment properties</i></b></p> <p>We identified valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements associated with determining the fair values.</p> <p>The investment properties are located in Hong Kong, Japan, Singapore and Thailand with carrying amounts of HK\$4,452,242,000 as at 31 December 2020 and represents approximately 49% of total assets of the Group as at 31 December 2020. Net loss from changes in fair value of the investment properties of HK\$556,649,000 was recognised in the consolidated statement of profit or loss for the year then ended.</p> <p>As disclosed in note 16 to the consolidated financial statements, other than the investment properties in Thailand held at fair value based on the valuation performed by the management, the Group's investment properties are held at fair value based on the valuations performed by independent qualified professional valuers (the "Valuers"). The valuations of investment properties are dependent on certain key inputs that require significant judgements and estimates, including unit sale rate and capitalisation rate.</p>	<p>Our procedures in relation to valuation of the investment properties included:</p> <ul style="list-style-type: none"> <li>• Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagement;</li> <li>• Assessing the reasonableness of the valuation techniques used by the management and the Valuers based on the relevant accounting requirements and industry norms;</li> <li>• Evaluating the reasonableness of the key inputs, including unit sale rate and capitalisation rate adopted by the management and the Valuers by comparing the key inputs to relevant market data based on our knowledge of the property markets; and</li> <li>• Assessing the accuracy of the rental income provided by the management to the Valuers by agreeing the rental income to the respective underlying tenancy agreements or comparing to historical records, on a sampling basis.</li> </ul>

# Independent Auditor's Report

## KEY AUDIT MATTERS (CONTINUED)

### Key audit matter

### How our audit addressed the key audit matter

#### *Revenue recognition from sales of goods*

We identified revenue recognition from sales of goods as a key audit matter due to its significance to the consolidated financial statements as a whole. The Group's revenue for the year ended 31 December 2020 in respect of sales of goods amounted to approximately HK\$7,260,262,000.

As disclosed in note 5 to the consolidated financial statements, for sales of goods (including mobile phones and IT products), revenue is recognised when control of the goods has transferred. We focused on this area because of the Group transacts with a large number of customers.

Our procedures in relation to revenue recognition from sales of goods included:

- Obtaining an understanding of the revenue recognition processes and testing the Group's key controls over revenue recognition;
- Inspecting sales contracts with key customers, on a sample basis, to understand the agreed trade terms and assess whether the related revenue was properly recognised in accordance with respective sales contracts and with reference to the requirements of the prevailing accounting standards; and
- Testing recorded sales transactions on a sample basis against corresponding goods delivery notes and acceptance confirmations from customers that evidenced control of the goods have been passed.

#### *Write-down for inventories*

We identified assessment of write-down of inventories as a key audit matter due to the use of judgements in identifying obsolete and slow moving inventories and determining the net realisable value ("NRV") which are based on the ageing, conditions and marketability of the inventories.

NRV represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. As disclosed in the consolidated statement of financial position and note 24 to the consolidated financial statements, the carrying amount of inventories is HK\$661,795,000 as at 31 December 2020. During the year ended 31 December 2020, write-down of inventories of HK\$7,068,000 was recognised in profit or loss.

Our procedures in relation to assessing the write-down for inventories included:

- Obtaining an understanding of how allowance on obsolete and slow moving inventories is estimated by the management;
- Testing the accuracy of the ageing of the inventories listed in the system generated report to the goods receipt notes on a sampling basis;
- Discussing with the management on the basis of determining the NRV and evaluate and assess the condition and marketability of the inventories, on a sampling basis; and
- Assessing the sufficiency of allowance on obsolete and slow moving inventories made by management where the estimated NRV is lower than the cost with reference to the latest selling price, on a sampling basis.

# Independent Auditor's Report

## OTHER INFORMATION

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# Independent Auditor's Report

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

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

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

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

# Independent Auditor's Report

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan, Alan.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants

Hong Kong  
26 March 2021

# Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Revenue	5	<b>7,576,117</b>	6,415,933
Cost of sales		<b>(6,945,806)</b>	(5,863,267)
Gross profit		<b>630,311</b>	552,666
Other income	7	<b>44,135</b>	56,141
Other gains and losses, net	8	<b>3,820</b>	(17,384)
Distribution costs		<b>(190,863)</b>	(184,736)
Administrative expenses		<b>(139,231)</b>	(158,306)
Loss from changes in fair value of investment properties	16	<b>(556,649)</b>	(13,115)
Listing expenses	9	<b>—</b>	(6,029)
Impairment loss under expected credit loss model, net of reversal		<b>(32,115)</b>	(4,072)
Share of results of associates		<b>6,313</b>	4,622
Finance costs	10	<b>(63,664)</b>	(72,010)
(Loss) profit before taxation		<b>(297,943)</b>	157,777
Income tax credit (expense)	11	<b>44,092</b>	(36,565)
(Loss) profit for the year	12	<b>(253,851)</b>	121,212
(Loss) profit for the year attributable to:			
Owners of the Company		<b>(310,035)</b>	78,781
Non-controlling interests		<b>56,184</b>	42,431
		<b>(253,851)</b>	121,212
		<b>HK Cents</b>	HK Cents
(Loss) earnings per share	15		
Basic		<b>(111.5)</b>	28.3
Diluted		<b>(111.5)</b>	28.3

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK\$'000	2019 HK\$'000
(Loss) profit for the year	<u>(253,851)</u>	<u>121,212</u>
Other comprehensive (expense) income:		
<b>Item that will not be reclassified to profit or loss</b>		
Changes in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	<u>(13,654)</u>	<u>182</u>
<b>Item that may be reclassified to profit or loss</b>		
Exchange realignment arising on translation of foreign operations		
– Subsidiaries	<u>32,681</u>	39,484
– Associates	<u>(162)</u>	<u>(579)</u>
	<u>32,519</u>	<u>38,905</u>
Other comprehensive income for the year	<u>18,865</u>	<u>39,087</u>
Total comprehensive (expense) income for the year	<u>(234,986)</u>	<u>160,299</u>
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	<u>(296,123)</u>	105,511
Non-controlling interests	<u>61,137</u>	<u>54,788</u>
	<u>(234,986)</u>	<u>160,299</u>

# Consolidated Statement of Financial Position

AT 31 DECEMBER 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
<b>Non-current Assets</b>			
Investment properties	16	4,452,242	5,004,030
Property, plant and equipment	17	703,076	514,369
Right-of-use assets	18	47,153	63,648
Goodwill	19	126,406	126,406
Interests in associates	20	113,325	108,202
Equity instruments at fair value through profit or loss ("FVTPL")	21	182,551	176,189
Equity instruments at FVTOCI	22	78,748	91,495
Deferred tax assets	35	84,257	78,567
Other financial assets	23	8,212	13,078
Other assets		2,500	2,500
		<u>5,798,470</u>	<u>6,178,484</u>
<b>Current Assets</b>			
Inventories	24	661,795	824,832
Trade and other receivables, deposits and prepayments	25	1,396,298	1,188,188
Amount due from an associate	26	353	355
Tax recoverable		55	112
Equity instruments at FVTPL	21	16,901	14,362
Pledged deposits	27	450,733	454,759
Bank balances and cash	27	795,110	668,091
		<u>3,321,245</u>	<u>3,150,699</u>
<b>Current Liabilities</b>			
Trade payables, other payables and accruals	28	976,548	810,057
Contract liabilities	29	33,654	22,871
Lease liabilities	30	18,156	18,348
Advance lease payments		1,883	2,734
Amount due to an associate	26	62	1,382
Derivative financial instruments	31	2,078	975
Tax payable		34,416	23,696
Bank borrowings	32	2,596,684	2,472,273
Bonds	33	74,983	—
Rental deposits	34	18,530	34,613
		<u>3,756,994</u>	<u>3,386,949</u>
<b>Net Current Liabilities</b>		<u>(435,749)</u>	<u>(236,250)</u>
<b>Total Assets less Current Liabilities</b>		<u>5,362,721</u>	<u>5,942,234</u>

# Consolidated Statement of Financial Position

AT 31 DECEMBER 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Non-current Liabilities</b>			
Lease liabilities	30	<b>71,002</b>	90,185
Advance lease payments		<b>36,837</b>	50,911
Bank borrowings	32	<b>1,086,566</b>	1,233,510
Bonds	33	<b>216,826</b>	277,782
Rental deposits	34	<b>102,607</b>	90,904
Deferred tax liabilities	35	<b>118,788</b>	203,738
Retirement benefits obligations	36	<b>19,018</b>	21,984
		<b>1,651,644</b>	1,969,014
<b>Net Assets</b>		<b>3,711,077</b>	3,973,220
<b>Capital and Reserves</b>			
Share capital	37	<b>27,797</b>	27,797
Share premium		<b>73,400</b>	73,400
Other reserves		<b>21,496</b>	7,584
Retained profits		<b>3,185,837</b>	3,501,431
Equity attributable to owners of the Company		<b>3,308,530</b>	3,610,212
Non-controlling interests		<b>402,547</b>	363,008
<b>Total Equity</b>		<b>3,711,077</b>	3,973,220

The consolidated financial statements on pages 45 to 143 were approved and authorised for issue by the Board of Directors on 26 March 2021 and are signed on its behalf by:

**LIM KIA HONG**  
DIRECTOR

**LIM KIAH MENG**  
DIRECTOR

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to the owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Investments reserve	Translation reserve	Property revaluation reserve	Contributed surplus	Share options reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	27,797	73,400	1,260	(10,336)	933	2,860	3,695	(17,558)	3,441,825	3,523,876	331,288	3,855,164
Profit for the year	–	–	–	–	–	–	–	–	78,781	78,781	42,431	121,212
Other comprehensive income for the year	–	–	561	26,169	–	–	–	–	–	26,730	12,357	39,087
Total comprehensive income for the year	–	–	561	26,169	–	–	–	–	78,781	105,511	54,788	160,299
Redemption of preference shares	–	–	–	–	–	–	–	–	–	–	(1,136)	(1,136)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(21,649)	(21,649)
Transfer upon lapse of share options of a subsidiary	–	–	–	–	–	–	–	–	283	283	(283)	–
Dividends recognised as distribution (note 14)	–	–	–	–	–	–	–	–	(19,458)	(19,458)	–	(19,458)
At 1 January 2020	27,797	73,400	1,821	15,833	933	2,860	3,695	(17,558)	3,501,431	3,610,212	363,008	3,973,220
(Loss) profit for the year	–	–	–	–	–	–	–	–	(310,035)	(310,035)	56,184	(253,851)
Other comprehensive (expense) income for the year	–	–	(13,354)	27,266	–	–	–	–	–	13,912	4,953	18,865
Total comprehensive (expense) income for the year	–	–	(13,354)	27,266	–	–	–	–	(310,035)	(296,123)	61,137	(234,986)
Redemption of preference shares	–	–	–	–	–	–	–	–	–	–	(504)	(504)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(21,094)	(21,094)
Dividends recognised as distribution (note 14)	–	–	–	–	–	–	–	–	(5,559)	(5,559)	–	(5,559)
At 31 December 2020	27,797	73,400	(11,533)	43,099	933	2,860	3,695	(17,558)	3,185,837	3,308,530	402,547	3,711,077

Note 1: Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition upon the Group reorganisation in preparation for the listing of the Company's shares in the year 1992.

Note 2: Other reserve represents the difference between the fair value of the consideration (net of transaction costs) and the carrying amount of the reduction in the Company's interest in SiS Mobile Holding Limited ("SiS Mobile"), arising from the listing of SiS Mobile's shares on the Stock Exchange of Hong Kong Limited on 15 January 2015.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK\$'000	2019 HK\$'000
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	(297,943)	157,777
Adjustments for:		
Depreciation of property, plant and equipment	27,731	24,962
Depreciation of right-of-use assets	12,019	11,421
Dividend income from equity instruments at FVTOCI	(506)	(831)
Dividend income from equity instruments at FVTPL	(1,083)	(2,052)
Finance costs	63,664	72,010
(Gain) loss from changes in fair value of equity instruments at FVTPL	(8,015)	31,181
(Gain) loss on disposal of property, plant and equipment	(20)	1,829
Impairment loss recognised on property, plant and equipment	24,445	15,539
Impairment losses under expected credit loss model, net of reversal	32,115	4,072
Interest income	(6,042)	(12,322)
Loss from changes in fair value of derivative financial instruments	1,052	339
Loss from changes in fair value of investment properties	556,649	13,115
(Reversal of) provision for retirement benefits obligations	(2,828)	8,685
Reversal of provision for litigation and other related expenses	—	(30,000)
Share of results of associates	(6,313)	(4,622)
Write-down of inventories	7,068	4,595
Operating cash flows before movements in working capital	401,993	295,698
Decrease (increase) in inventories	148,986	(141,559)
(Increase) decrease in amounts due from (to) associates	(1,341)	1,004
Increase in trade and other receivables, deposits and prepayments	(223,460)	(196,141)
(Decrease) increase in rental deposits and advance lease payment	(28,498)	37,812
Increase in trade payables, other payables and accruals	157,836	66,932
Increase in contract liabilities	10,783	10,561
<b>CASH GENERATED FROM OPERATIONS</b>	466,299	74,307
Tax paid	(39,143)	(35,990)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	427,156	38,317

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK\$'000	2019 HK\$'000
<b>INVESTING ACTIVITIES</b>		
Acquisition of investment properties	(71,326)	(406,855)
Dividend received from an associate	—	4,448
Dividend received from equity instruments at FVTPL	1,083	2,052
Dividend received from equity instruments at FVTOCI	506	831
Interest received	6,042	1,399
Repayments of other receivables	1,271	254
Withdrawal of pledged deposits	360	1,495
Purchase of property, plant and equipment	(21,159)	(25,068)
Proceeds from disposal of investment properties	—	33,800
Proceeds from disposal of property, plant and equipment	88	350
(Payment for) refund of rental deposits	(59)	523
Proceeds from disposal of investment in preference shares	—	2,870
Proceeds from disposal of equity instruments at FVTPL	—	5,071
Purchase of equity instruments at FVTPL	(886)	(1,067)
Purchase of equity instruments at FVTOCI	(546)	(380)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(84,626)</b>	<b>(380,277)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid to ordinary shareholders	(5,559)	(19,458)
Dividends paid to non-controlling interests	(21,094)	(21,649)
Redemption of preference shares	(504)	(1,136)
Repayments of lease liabilities	(15,077)	(20,008)
Interest paid	(61,770)	(67,700)
New bank loans raised	3,494,893	3,549,078
Repayments of bank loans	(3,622,204)	(2,990,429)
New loan raised from a related company	40,000	—
Repayments of a loan from a related company	(40,000)	—
Repayments to related companies	—	(6,752)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(231,315)</b>	<b>421,946</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>111,215</b>	<b>79,986</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>668,091</b>	<b>586,755</b>
Effect of foreign exchange rate changes	15,804	1,350
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER,</b> represented by bank balances and cash	<b>795,110</b>	<b>668,091</b>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 1. GENERAL

SiS International Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “HKEX”). Its immediate parent is Gold Sceptre Limited and its ultimate parent is Summertown Limited, a company with ultimate controlling shareholders are Mr. Lim Kiah Meng, Mr. Lim Kia Hong and their respective spouses. Mr. Lim Kiah Meng and Mr. Lim Kia Hong are also the directors of the Company. Both holding companies are incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate information” section of the annual report.

The Company acts as an investment securities trading and investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are set out in note 46.

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

The outbreak of Covid-19 and the subsequent quarantine measures including the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment which directly and indirectly affected the operations of the Group. Hotel occupancy rate throughout Japan were severely impacted and there was temporary closure of several hospitality properties and early termination of lease agreements by two tenants in the hotel properties. As such, the valuation of properties and short-term performance of the business to the Group were affected in different aspects as disclosed in the relevant notes.

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

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19 Related Rent Concessions*.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

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

### Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

#### 2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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

#### 2.2 Impacts on early application of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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

The Group has early applied the amendment in the current year. The application of the amendment in the current year had no impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

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

### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 — 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

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

### New and amendments to HKFRSs in issue but not yet effective (Continued)

#### Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

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

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

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

Based on the Group’s outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group’s liabilities.

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

### 3.1 Basis of preparation of consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$435,749,000 as at 31 December 2020.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of preparation of consolidated financial statements (Continued)

The directors of the Company believe that the existing loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has a number of sources of funds available to enable its obligation and commitments to be settled on a timely manner. In addition, the Group will be able to withdraw the unutilised bank facilities or obtain additional financing from financial institutions by taking into account the carrying amount of the Group's assets which have not been pledged. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies

#### Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interest in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interest entitling their holders to a proportionate share of net asset of the relevant subsidiaries upon liquidation.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

When the Group ceases to have significant influence over an associate, or obtains control over an associate through acquisition of additional interests, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

Where a group entity transacts with an associate of the Group (such as a sale), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Revenue from contracts with customers

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Revenue from contracts with customers (Continued)

##### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

##### *Contract costs*

##### *Incremental costs of obtaining a contract*

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

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Revenue from contracts with customers (Continued)

##### *Variable consideration*

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

#### Leases

##### *Definition of a lease*

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

##### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Leases (Continued)

##### *The Group as a lessee (Continued)*

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

##### Right-of-use assets

The cost of right-of-use asset includes:

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

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

##### Refundable rental deposits

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Leases (Continued)

##### *The Group as a lessee (Continued)*

##### Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Leases (Continued)

##### *The Group as a lessee (Continued)*

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

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

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

##### Covid-19-related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Leases (Continued)

##### *The Group as a lessor*

##### Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

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

##### Refundable rental deposits

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

##### Lease modification

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

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Government grants

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

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

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

#### Employee benefits

##### *Retirement benefit costs*

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

##### *Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Employee benefits (Continued)

##### *Retirement benefit costs (Continued)*

##### Defined benefit plans (Continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

##### *Short-term and other long-term employee benefits*

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Share-based payments arrangement

##### *Equity-settled share-based payment transactions*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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

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

#### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "(loss) profit before taxation" as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Taxation (Continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

#### Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

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

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

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including investment properties for development held for such purposes).

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

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

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

Construction cost incurred on investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

The Group transfer a property from investment properties to property, plant and equipment where there is a change in use, evidenced by commencement of owner-occupation.

#### Impairment losses on property, plant and equipment, right-of-use assets and other assets, other than goodwill

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

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Impairment losses on property, plant and equipment, right-of-use assets and other assets, other than goodwill (Continued)

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

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

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

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Inventories

Inventories are stated at the lower of cost and net realisable value ("NRV"). Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

#### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

#### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets*

##### Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

Classification and subsequent measurement of financial assets (Continued)

##### (i) Amortised cost and interest income

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

##### (ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

##### (iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

##### Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, amount due from an associate, deposits paid, other financial assets, pledged deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade and lease receivables. The ECL on trade and lease receivables are assessed collectively using a provision matrix with appropriate groupings and individually for credit impaired balances.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### Impairment of financial assets (Continued)

#### (i) Significant increase in credit risk

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

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

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

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

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

##### Impairment of financial assets (Continued)

##### (ii) Definition of default

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

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

##### (iii) Credit-impaired financial assets

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

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

##### (iv) Write-off policy

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

##### Impairment of financial assets (Continued)

##### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. The Group uses a practical expedient in estimating ECL on trade and lease receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments reserve is not reclassified to profit or loss, but is transferred to retained profits.

##### *Financial liabilities and equity*

##### Classification as debt or equity

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

##### Equity instruments

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

##### Financial liabilities

Financial liabilities (including trade and other payables, rental deposits, amount due to an associate, bonds and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

##### Derecognition of financial liabilities

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

##### *Derivative financial instruments*

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

### Deferred taxation for investment properties

For the purposes of measuring deferred tax liabilities or assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted.

The directors of the Company have reviewed the Group's investment properties located in Japan and concluded that these properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale except for the investment properties which the land under freehold. Such properties are presumed to be recovered entirely through sale.

The directors of the Company have also reviewed the Group's investment properties located in Hong Kong, Singapore and Thailand and concluded that the carrying amounts of these properties are to be recovered entirely through sale.

Accordingly, deferred taxation for these investment properties is measured based on the expected manner as to how the properties will be recovered.

### Key sources of estimation uncertainty

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Key sources of estimation uncertainty (Continued)

#### Net realisable value of inventories

The cost of inventories is written down to NRV when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. When the NRV of an item of inventory is less than the carrying amount, the excess is written off immediately in the profit or loss. The management's review and estimation of the NRV is primarily based on the ageing, conditions and marketability of the inventories. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. The carrying amount of inventories is HK\$661,795,000 (2019: HK\$824,832,000). During the year ended 31 December 2020, write-down of inventories of HK\$7,068,000 (2019: HK\$4,595,000) was recognised in profit or loss.

#### Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 16.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. In light of the negative impact of the Covid-19 pandemic, the independent valuers included uncertainty clauses in the valuation reports in respect of investment properties located in Singapore amounted to HK\$49,224,000 as at 31 December 2020. Whilst the Group considers valuations of the Group's investment properties are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility depending on how the Covid-19 pandemic may progress and evolve, which have led to higher degree of uncertainties in respect of the valuations in the current year.

As at 31 December 2020, the carrying amount of the Group's investment properties is HK\$4,452,242,000 (2019: HK\$5,004,030,000).

#### Impairment of hotel properties

Hotel properties as included under property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the capitalisation of net income with due allowances of outgoings and provisions for reversionary income potential which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including appropriate discount rate. Changing the assumptions and estimates, including the discount rates in the income capitalisation, could materially affect the net present value used in the impairment test. As at 31 December 2020, the carrying amounts of hotel properties are HK\$259,088,000 (2019: HK\$73,341,000). During the year the impairment losses of HK\$24,405,000 (2019: HK\$15,539,000) have been recognised on hotel properties.

Details of the impairment of hotel properties are disclosed in note 17.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Key sources of estimation uncertainty (Continued)

#### Fair value measurement of financial instruments

Certain of the Group's unquoted equity instruments amounting to HK\$65,386,000 (2019: HK\$77,507,000) as at 31 December 2020 are stated at fair values as determined based on valuation techniques which involves unobservable inputs.

Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 40(c) for further disclosures.

## 5. REVENUE

### (i) Disaggregation of revenue from contracts with customers

	2020			2019		
	Distribution of mobile and IT products HK\$'000	Hotels operations HK\$'000	Total HK\$'000	Distribution of mobile and IT products HK\$'000	Hotels operations HK\$'000	Total HK\$'000
<b>Types of goods or service</b>						
Distribution of mobile and IT products						
Mobile products	2,307,348	—	2,307,348	956,611	—	956,611
IT products	4,952,914	—	4,952,914	5,154,937	—	5,154,937
	<u>7,260,262</u>	<u>—</u>	<u>7,260,262</u>	<u>6,111,548</u>	<u>—</u>	<u>6,111,548</u>
Commission income	32,397	—	32,397	24,978	—	24,978
Hotel Operations						
Room revenue	—	10,969	10,969	—	24,415	24,415
Food and beverage	—	7,469	7,469	—	4,765	4,765
	<u>—</u>	<u>18,438</u>	<u>18,438</u>	<u>—</u>	<u>29,180</u>	<u>29,180</u>
Revenue from contracts with customers	<u>7,292,659</u>	<u>18,438</u>	<u>7,311,097</u>	<u>6,136,526</u>	<u>29,180</u>	<u>6,165,706</u>
Leasing of investment properties			265,020			250,227
Total revenue			<u>7,576,117</u>			<u>6,415,933</u>
<b>Geographical market</b>						
Hong Kong	1,751,192	—	1,751,192	999,554	—	999,554
Thailand	5,541,467	—	5,541,467	5,136,972	—	5,136,972
Japan	—	18,438	18,438	—	29,180	29,180
Total before leasing of investment properties	<u>7,292,659</u>	<u>18,438</u>	<u>7,311,097</u>	<u>6,136,526</u>	<u>29,180</u>	<u>6,165,706</u>
<b>Timing of revenue recognition</b>						
At a point in time	7,292,659	7,469	7,300,128	6,136,526	4,765	6,141,291
Over time	—	10,969	10,969	—	24,415	24,415
Total before leasing of investment properties	<u>7,292,659</u>	<u>18,438</u>	<u>7,311,097</u>	<u>6,136,526</u>	<u>29,180</u>	<u>6,165,706</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. REVENUE (CONTINUED)

### (ii) Performance obligations for contracts with customers

#### Revenue from distribution of mobile and IT products

For distribution of mobile and IT products, the Group is acting as a principal as the Group and the customers control the specified good before that good is further transferred. The revenue is recognised at a point in time when control of the goods has transferred, being when (i) the goods have been picked up by the customers in warehouse; or (ii) the goods have been delivered to the customers' specific location and the Group received acceptance confirmations from customers. Upon the relevant goods are picked up by the customers or delivered to the customers' specific location, the customers have full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The Group allows credit period from 30 day to 90 days to certain trade customers. Sale return and warranty on defect items are borne by the suppliers. Rebate to customers are settled on monthly basis.

In addition, the Group also earned commission income from its customers for the purchase of warranty services for IT products provided by the Group's suppliers in which the Group acted as an agent. The commission income is recognised at a point of time.

#### Revenue from hotel operations

Hotel room revenue is recognised over the contract period when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

The Group receives deposit from customers when the hotel room reservation is made. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as deposits.

For food and beverage for which the control of services is transferred at a point in time, revenue is recognised when the related services have been rendered to customers.

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 December 2020 and 2019, contracts with customers with unsatisfied performance obligations for the distribution of mobile and IT products and hotel operations have original expected duration of one year or less. As permitted under HKFRS 15, the aggregate amount of transaction price allocated to these unsatisfied performance obligations is not disclosed.

### (iv) Leases

	2020 HK\$'000	2019 HK\$'000
For operating leases:		
Lease payments	263,051	248,310
Variable lease payments	1,969	1,917
	<u>265,020</u>	<u>250,227</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on the distribution of mobile and IT products (Hong Kong and Thailand), property investment and hotel operations (Japan and other regions) and securities investment. Segment liabilities have not been presented as these are not presented to the CODM.

### Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable and operating segments for the year:

	2020					Consolidated HK\$'000
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	
	Hong Kong HK\$'000	Thailand HK\$'000	Japan HK\$'000	Other regions HK\$'000	HK\$'000	
Segment revenue						
External sales	<u>1,751,192</u>	<u>5,541,467</u>	<u>239,348</u>	<u>44,110</u>	—	<u>7,576,117</u>
Segment profit (loss)	<u>16,792</u>	<u>194,636</u>	<u>(325,491)</u>	<u>(104,636)</u>	<u>9,605</u>	<u>(209,094)</u>
Share of results of associates						6,313
Finance costs						(63,664)
Other unallocated income						8,480
Unallocated corporate expenses						<u>(39,978)</u>
Loss before taxation						<u>(297,943)</u>
	2019					
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Consolidated
	Hong Kong HK\$'000	Thailand HK\$'000	Japan HK\$'000	Other regions HK\$'000	HK\$'000	HK\$'000
Segment revenue						
External sales	<u>999,554</u>	<u>5,136,972</u>	<u>235,142</u>	<u>44,265</u>	—	<u>6,415,933</u>
Segment profit (loss)	<u>20,588</u>	<u>147,521</u>	<u>78,589</u>	<u>53,834</u>	<u>(28,298)</u>	272,234
Share of results of associates						4,622
Listing expenses						(6,029)
Finance costs						(72,010)
Other unallocated income						12,313
Unallocated corporate expenses						<u>(53,353)</u>
Profit before taxation						<u>157,777</u>

Segment profit (loss) represents the profit earned by/loss from each segment without allocation of central administration costs and corporate expenses, listing expenses, share of results of associates, finance costs and other unallocated income.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. SEGMENT INFORMATION (CONTINUED)

### Segment assets

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

	2020					Consolidated HK\$'000
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	
	Hong Kong HK\$'000	Thailand HK\$'000	Japan HK\$'000	Other regions HK\$'000	HK\$'000	
Segment assets	<u>289,795</u>	<u>2,038,052</u>	<u>3,197,924</u>	<u>1,941,966</u>	<u>280,700</u>	<u>7,748,437</u>
Interests in associates						<u>113,325</u>
Unallocated corporate assets						<u>1,257,953</u>
Consolidated total assets						<u>9,119,715</u>
	2019					Consolidated HK\$'000
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	
	Hong Kong HK\$'000	Thailand HK\$'000	Japan HK\$'000	Other regions HK\$'000	HK\$'000	
Segment assets	<u>346,060</u>	<u>1,946,584</u>	<u>3,427,702</u>	<u>2,095,115</u>	<u>284,546</u>	<u>8,100,007</u>
Interests in associates						<u>108,202</u>
Unallocated corporate assets						<u>1,120,974</u>
Consolidated total assets						<u>9,329,183</u>

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than interests in associates and unallocated corporate assets.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. SEGMENT INFORMATION (CONTINUED)

### Other segment information

Segment results and segment assets presented above includes the following:

	2020						
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Unallocated	Consolidated
	Hong Kong	Thailand	Japan	Other regions			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Capital additions	452	39,613	65,917	6	—	20	106,008
Depreciation of property, plant and equipment	2,394	13,508	5,363	6,464	—	2	27,731
Depreciation of right-of-use assets	2,018	10,001	—	—	—	—	12,019
Impairment losses under expected credit loss model, net of reversal	40	24,386	7,689	—	—	—	32,115
Impairment loss on property, plant and equipment	—	—	24,445	—	—	—	24,445
Loss from changes in fair value of investment properties	—	—	409,073	147,576	—	—	556,649
Loss (gain) from changes in fair value of equity instruments at FVTPL	—	—	—	3,874	(11,889)	—	(8,015)
Loss from changes in fair value of derivative financial instruments	—	1,052	—	—	—	—	1,052
Loss (gain) on disposal of property, plant and equipment	3	(23)	—	—	—	—	(20)
Write-down (write-back) of inventories	8,444	(1,376)	—	—	—	—	7,068
	2019						
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Unallocated	Consolidated
	Hong Kong	Thailand	Japan	Other regions			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	14,107	16,145	407,075	—	—	3	437,330
Depreciation of property, plant and equipment	2,152	10,802	4,455	7,266	—	287	24,962
Depreciation of right-of-use assets	2,052	9,369	—	—	—	—	11,421
Impairment losses under expected credit losses model, net of reversal	1,063	3,009	—	—	—	—	4,072
Impairment loss on property, plant and equipment	—	—	15,539	—	—	—	15,539
(Gain) loss from changes in fair value of investment properties	—	(233)	23,795	(10,447)	—	—	13,115
(Gain) loss from changes in fair value of equity instruments at FVTPL	—	—	(475)	579	31,077	—	31,181
Loss from changes in fair value of derivative financial instruments	—	—	—	—	339	—	339
Loss (gain) on disposal of property, plant and equipment	2,021	(178)	—	(14)	—	—	1,829
Write-down of inventories	3,893	702	—	—	—	—	4,595

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. SEGMENT INFORMATION (CONTINUED)

### Geographical information

The Group's revenue from external customers by geographical location of the customers are attributed to the group entities' countries of domicile (i.e. Hong Kong, Japan, Singapore and Thailand).

Information about the Group's revenue by geographical location of the customers and non-current assets by geographical location of assets are set out below:

	Revenue		Non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong	<b>1,793,662</b>	1,042,363	<b>1,899,657</b>	2,056,818
Japan	<b>239,348</b>	235,142	<b>3,152,404</b>	3,373,316
Singapore	<b>1,640</b>	1,456	<b>51,117</b>	51,267
Thailand	<b>5,541,467</b>	5,136,972	<b>99,293</b>	100,646
	<b>7,576,117</b>	6,415,933	<b>5,202,471</b>	5,582,047

Non-current assets excluded goodwill, interests in associates, equity instruments, deferred tax assets, other financial assets and other assets.

### Major customer information

During the year ended 31 December 2020 and 2019, no customer contributed over 10% of the total revenue of the Group.

## 7. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Compensation from insurance	—	5,925
Dividend income	<b>1,589</b>	2,883
Government subsidy (Note 1)	<b>5,837</b>	—
Interest income from banks deposits	<b>6,042</b>	12,322
Maintenance income	<b>2,741</b>	9,954
Utility income (Note 2)	<b>3,535</b>	8,501
Compensation income from lawsuit (Note 3)	<b>12,400</b>	—
Others	<b>11,991</b>	16,556
	<b>44,135</b>	56,141

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 7. OTHER INCOME (CONTINUED)

Notes:

- 1) The government subsidies represent the wage subsidy provided by the HKSAR Government under the employment support scheme to help businesses tide over financial difficulties during the Covid-19 epidemic, which are recognised as income at the time the Group fulfilled the relevant granting criteria.
- 2) The Group earned utility income by charging a price for utilities used by tenants net of direct costs incurred by the Group.
- 3) The amount represents compensation income received from a vendor who breached the agreement with the Group during the year ended 31 December 2015. The case was finalised during the year and Thai Baht ("THB") 50,000,000 (equivalent to approximately HK\$12,400,000) have been received from the counterparty and recognised as other income in the current year.

## 8. OTHER GAINS AND LOSSES, NET

	2020 HK\$'000	2019 HK\$'000
Exchange gain, net	21,282	1,504
Gain (loss) on disposal of property, plant and equipment	20	(1,829)
Gain (loss) from changes in fair value of equity instruments at FVTPL	8,015	(31,181)
Impairment loss on property, plant and equipment	(24,445)	(15,539)
Loss from changes in fair value of derivate financial instruments	(1,052)	(339)
Reversal of provision for litigation and other related expenses	—	30,000
	<u>3,820</u>	<u>(17,384)</u>

## 9. LISTING EXPENSES

In 2019, the amount represents professional fees and other expenses incurred in preparation for the listing of a subsidiary's shares. It was decided to postpone such listing plan to a later stage.

## 10. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings and bonds	59,828	68,634
Interest on lease liabilities	1,991	1,649
Interest on rental deposits	1,776	1,727
Interest on loan from a related company	69	—
	<u>63,664</u>	<u>72,010</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 11. INCOME TAX (CREDIT) EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong	1,340	690
Overseas:		
Corporate tax	47,838	39,228
Withholding tax on declared dividend income	1,638	1,559
	<u>50,816</u>	<u>41,477</u>
 (Over) under provision in prior years		
Hong Kong	(75)	2,272
Overseas	403	(33)
	<u>328</u>	<u>2,239</u>
 Deferred taxation ( <i>Note 35</i> )	<u>51,144</u>	43,716
	<u>(95,236)</u>	<u>(7,151)</u>
	<u>(44,092)</u>	<u>36,565</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2018 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the quantifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the qualified entity.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Corporate Tax in Japan is calculated at 23.2% (2019: 23.2%) on the estimated assessable profit for the year. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% and 5% on dividends declared to local investors and foreign investors, respectively, in respect of profit earned by Japanese subsidiaries.

Corporate Tax in Thailand is calculated at 20% (2019: 20%) on the estimated assessable profit for the year.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 11. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

The income tax (credit) expense for the year can be reconciled from the (loss) profit before taxation per the consolidated statement of profit or loss as follows:

	2020 HK\$'000	2019 HK\$'000
(Loss) profit before taxation	<u>(297,943)</u>	<u>157,777</u>
Tax at the domestic income tax rate of 16.5% (Note 1)	(49,161)	26,033
Tax effect of share of results of associates	(1,042)	(763)
Tax effect of expenses not deductible for tax purposes	44,222	8,025
Tax effect of income not taxable for tax purposes	(11,035)	(10,176)
Tax effect of tax benefit of subsidiaries (Note 2)	(14,969)	(16,264)
Tax effect of tax losses and other deductible temporary differences not recognised	1,427	5,741
Utilisation of tax losses and other deductible temporary differences previously not recognised	(3,051)	(2,315)
Underprovision in prior years	328	2,239
Effect of different tax rates of subsidiaries	(22,441)	12,846
Deferred tax on undistributed earnings of subsidiaries	9,648	9,619
Income tax at concessionary rate at 8.25%	(165)	(165)
Withholding tax on declared dividend income	1,638	1,559
Others	<u>509</u>	<u>186</u>
Income tax (credit) expense for the year	<u>(44,092)</u>	<u>36,565</u>

Notes:

1. Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operations of the Group are substantially based.
2. Certain of the Group's subsidiaries were incorporated as Tokutei Mokuteki Kaisha ("TMK"), a special purpose entity in Japan for real estate transactions. In accordance with the Act on Special Measures Concerning Taxation, a TMK is permitted to deduct from its taxable income the amount of dividends it declared provided that a TMK is distributing at least 90 per cent of its profits in each financial year.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 12. (LOSS) PROFIT FOR THE YEAR

	2020 HK\$'000	2019 HK\$'000
(Loss) profit for the year has been arrived at after charging:		
Auditors' remuneration	6,040	6,740
Cost of inventories recognised as an expense (including write-down of inventories of HK\$7,068,000 (2019: HK\$4,595,000))	6,831,325	5,752,953
Depreciation of property, plant and equipment	27,731	24,962
Depreciation of right-of-use assets	12,019	11,421
Staff costs ( <i>Note</i> )	192,746	202,271
Share of tax of associates (included in share of results of associates)	2,021	270
Expense related to short-term lease	90	1,848
and after crediting:		
Gross rental income from investment properties	265,020	250,227
Less: direct operating expenses	(83,581)	(83,572)
Net rental income	181,439	166,655
Interest income from bank deposits	6,042	12,322
Dividend income from equity instruments at FVTOCI	506	831
Dividend income from equity instruments at FVTPL	1,083	2,052

*Note: Staff costs include emoluments to directors as set out in note 13.*

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Emoluments paid or payable to each of the directors and chief executive officer of the Company during the year are as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance bonus HK\$'000	Contributions to retirement benefit scheme HK\$'000	Total HK\$'000
<b>2020</b>					
Executive directors:					
Mr. Lim Kia Hong (Chief executive officer)	392	3,265	—	37	3,694
Mr. Lim Kiah Meng	394	3,684	200	30	4,308
Mr. Lim Hwee Hai	390	2,858	—	30	3,278
Madam Lim Hwee Noi	207	1,622	—	30	1,859
	<u>1,383</u>	<u>11,429</u>	<u>200</u>	<u>127</u>	<u>13,139</u>
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	—	—	—	280
Ms. Ong Wui Leng	280	—	—	—	280
Mr. Ma Shiu Sun Michael	280	—	—	—	280
	<u>840</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>840</u>
	<u>2,223</u>	<u>11,429</u>	<u>200</u>	<u>127</u>	<u>13,979</u>
	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance bonus HK\$'000	Contributions to retirement benefit scheme HK\$'000	Total HK\$'000
<b>2019</b>					
Executive directors:					
Mr. Lim Kia Hong (Chief executive officer)	345	3,862	—	48	4,255
Mr. Lim Kiah Meng	406	4,616	—	37	5,059
Mr. Lim Hwee Hai	373	3,395	—	40	3,808
Madam Lim Hwee Noi	214	1,926	—	38	2,178
	<u>1,338</u>	<u>13,799</u>	<u>—</u>	<u>163</u>	<u>15,300</u>
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	—	—	—	280
Ms. Ong Wui Leng	280	—	—	—	280
Mr. Ma Shiu Sun Michael	280	—	—	—	280
	<u>840</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>840</u>
	<u>2,178</u>	<u>13,799</u>	<u>—</u>	<u>163</u>	<u>16,140</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Mr. Lim Kia Hong is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive for both years.

The performance bonus is determined by reference to the performance and resources of the group companies and the performance of the individual directors for both years.

The salaries and other benefits, performance bonus and contribution to retirement benefit scheme paid or payable to executive directors shown above were for the services in connection with the management of the affairs of the Company and the Group for both years.

The fee paid or payable to executive directors and independent non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries for both years.

There was no arrangement under which directors waived or agreed to waive any remuneration for both years.

Of the five individuals with the highest emoluments in the Group, four (2019: four) were directors whose emoluments are disclosed above. The emoluments of the remaining one (2019: one) individual are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	2,152	2,127
Contributions to retirement benefit scheme	<u>36</u>	<u>36</u>
	<u>2,188</u>	<u>2,163</u>
	2020	2019
The emoluments are within the following bands		
HK\$2,000,001 to HK\$2,500,000	<u>1</u>	<u>1</u>

## 14. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December		
2019 of 2.0 HK cents per share (2019: 7.0 HK cents per		
share in respect of the year ended 31 December 2018)	<u>5,559</u>	<u>19,458</u>

No dividend or distribution has been declared or made by the Company for the year ended 31 December 2020.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 15. (LOSS) EARNINGS PER SHARE

The calculation of both basic and diluted (loss) earnings per share is based on the Group's loss (2019: profit) attributable to owners of the Company of HK\$310,035,000 (2019: HK\$78,781,000) and the weighted average number of ordinary shares calculated below.

	2020	2019
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>277,966,666</b>	277,966,666
Effect of dilutive potential ordinary share:		
Share options issued by the Company	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b><u>277,966,666</u></b>	<u>277,966,666</u>

The computation of diluted (loss) earnings per share for the year ended 31 December 2020 and 2019 did not assume the exercise of all share options of the Company and share options of SiS Mobile as the exercise prices of those options are higher than the average market prices of the Company and SiS Mobile for both years.

## 16. INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
Completed properties	<b>4,452,242</b>	4,857,966
Properties under development	<u>—</u>	<u>146,064</u>
	<b><u>4,452,242</u></b>	<u>5,004,030</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. INVESTMENT PROPERTIES (CONTINUED)

	Completed properties HK\$'000	Properties under development HK\$'000	Total HK\$'000
FAIR VALUE			
At 1 January 2019	4,491,078	126,202	4,617,280
Exchange realignment	25,642	1,168	26,810
Additions	386,892	19,963	406,855
Disposal	(33,800)	—	(33,800)
Net loss from changes in fair value recognised in profit or loss	<u>(11,846)</u>	<u>(1,269)</u>	<u>(13,115)</u>
At 31 December 2019 and 1 January 2020	<b>4,857,966</b>	<b>146,064</b>	<b>5,004,030</b>
Exchange realignment	<b>136,953</b>	<b>2,040</b>	<b>138,993</b>
Additions	<b>39,303</b>	<b>32,023</b>	<b>71,326</b>
Transfer from properties under development	<b>180,127</b>	<b>(180,127)</b>	<b>—</b>
Transfer to property, plant and equipment	<b>(205,458)</b>	<b>—</b>	<b>(205,458)</b>
Net loss from changes in fair value recognised in profit or loss	<u>(556,649)</u>	<u>—</u>	<u>(556,649)</u>
At 31 December 2020	<u><b>4,452,242</b></u>	<u><b>—</b></u>	<u><b>4,452,242</b></u>

An analysis of the investment properties, which are stated at fair value, by geographical location is as follows:

	2020 HK\$'000	2019 HK\$'000
Hong Kong	<b>1,591,500</b>	1,738,900
Japan	<b>2,799,436</b>	3,210,573
Singapore	<b>49,224</b>	48,725
Thailand	<u><b>12,082</b></u>	<u>5,832</u>
	<u><b>4,452,242</b></u>	<u>5,004,030</u>

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

In determining the fair value of the relevant properties, the management have exercised their judgement to determine the appropriate valuation technique and inputs for the fair value measurements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the investment properties in Hong Kong, Japan and Singapore, which falls under level 3 of the fair value hierarchy, as at 31 December 2020 and 2019, have been arrived at on the basis of valuations carried out on that date by Cushman & Wakefield Limited, CBRE K.K. and Knight Frank Pte. Ltd. respectively, who are independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to comparable market transactions as available in the relevant market. Appropriate adjustments have been made to reflect the difference in market conditions and characteristics of each property such as location, size, view, age and etc., and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential.

The fair values of the investment properties in Thailand which falls under level 3 of the fair value hierarchy, as at 31 December 2020, were fair valued by the management by reference to comparable market transactions as available in the relevant market. The fair values of the investment properties, as at 31 December 2019, have been arrived at on the basis of valuation carried out by KTAC Appraisal and Services Co., Ltd, who is an independent qualified professional valuer and not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties.

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

The ongoing Covid-19 pandemic has resulted in greater market volatility depending on how the Covid-19 pandemic may progress and evolve, which has led to higher degree of uncertainties in respect of the valuations in the current year, and independent valuers included uncertainty clauses in the valuation reports in respect of investment properties located in Singapore amounted to HK\$49,224,000 as at 31 December 2020.

### Hong Kong, Singapore and Thailand

The key input used in valuing the investment properties located in Hong Kong, Singapore and Thailand was the unit sale rate.

<b>Class of the properties</b>	<b>Unit Sale Rate</b>
Commercial properties in Hong Kong	HK\$6,000 to HK\$30,700 per square feet (2019: HK\$6,200 to HK\$33,700 per square feet).
Residential properties in Hong Kong	HK\$15,900 per square feet (2019: HK\$15,900 per square feet)
Carparks in Hong Kong	HK\$4,500,000 (2019: HK\$4,500,000)
Offices and residential properties in Singapore	SGD1,000 to SGD1,670 per square feet (2019: SGD1,000 to SGD1,700 per square feet)
Warehouse in Thailand	THB17,200 per square feet (2019: THB17,200 per square feet)
Land in Thailand	THB23 per square feet

An increase in the unit sale rate used would result in an increase in fair value of the investment properties, and vice versa.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. INVESTMENT PROPERTIES (CONTINUED)

### Japan

The fair values of the investment properties under development in Japan, which falls under level 3 of the fair value hierarchy, as at 31 December 2019 and at date of transfer of relevant properties to property, plant and equipment, have been arrived at on the basis of valuations carried out on that date by CBRE K.K.. The valuations were arrived at by income approach with adjustment made to account for the development costs, and indirect costs that will be expended to complete the development.

One of the key inputs used in valuing the investment properties located in Japan was the capitalisation rates used, of which ranged from 4.4% to 7.3% and 5.0% to 5.5% respectively (2019: 4.1% to 5.7% and 4.7% to 5.2% respectively) for hospitality premises and office premises. An increase in the capitalisation rate used would result in a decrease in fair value of the investment properties, and vice versa.

The valuation obtained for an investment property situated in Japan has been adjusted to avoid double-counting of liabilities that are recognised as separate lease liabilities. A reconciliation between the valuation amount and the adjusted valuation is provided below.

	2020 HK\$'000	2019 HK\$'000
Valuation of the investment property	762,265	877,816
Recognised lease liabilities	<u>41,739</u>	<u>44,564</u>
Fair value of the investment property	<u>804,004</u>	<u>922,380</u>

During the current year, the Group transferred certain hotel properties from investment property to property, plant and equipment at a carrying amount of HK\$205,458,000 upon commencement of owner-occupation.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Hotel properties HK\$'000	Leasehold land and building in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>							
At 1 January 2019	88,025	103,138	320,888	18,192	37,277	3,936	571,456
Exchange realignment	870	1,124	—	553	2,578	47	5,172
Additions	—	—	—	9,310	14,798	960	25,068
Disposals	—	—	—	(4,597)	(10,871)	(1,799)	(17,267)
At 31 December 2019	<b>88,895</b>	<b>104,262</b>	<b>320,888</b>	<b>23,458</b>	<b>43,782</b>	<b>3,144</b>	<b>584,429</b>
Exchange realignment	4,345	10,090	—	25	1,016	43	15,519
Additions	—	251	—	357	20,506	45	21,159
Disposals	—	—	—	(146)	(380)	—	(526)
Transfer from investment properties	—	205,458	—	—	—	—	205,458
At 31 December 2020	<b>93,240</b>	<b>320,061</b>	<b>320,888</b>	<b>23,694</b>	<b>64,924</b>	<b>3,232</b>	<b>826,039</b>
<b>DEPRECIATION AND IMPAIRMENT</b>							
At 1 January 2019	—	10,908	8,811	9,716	12,664	1,672	43,771
Exchange realignment	—	134	—	144	583	15	876
Provided for the year	—	4,340	6,133	3,781	9,882	826	24,962
Eliminated on disposals	—	—	—	(2,471)	(10,818)	(1,799)	(15,088)
Impairment loss recognised in profit or loss	—	15,539	—	—	—	—	15,539
At 31 December 2019	—	30,921	14,944	11,170	12,311	714	70,060
Exchange realignment	—	438	—	100	598	49	1,185
Provided for the year	—	5,209	6,160	3,388	12,370	604	27,731
Eliminated on disposals	—	—	—	(146)	(312)	—	(458)
Impairment loss recognised in profit or loss	—	24,405	—	—	40	—	24,445
At 31 December 2020	—	60,973	21,104	14,512	25,007	1,367	122,963
<b>CARRYING VALUES</b>							
At 31 December 2020	<b>93,240</b>	<b>259,088</b>	<b>299,784</b>	<b>9,182</b>	<b>39,917</b>	<b>1,865</b>	<b>703,076</b>
At 31 December 2019	88,895	73,341	305,944	12,288	31,471	2,430	514,369

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Hotel properties	2%–3%
Leasehold land and building	2%, or over the term of the lease, whichever is shorter
Leasehold improvements	15% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	10%–33%
Motor vehicles	20%

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The impairment loss recognised for the year ended 31 December 2019 and 2020 represented the decrease of future hotel room revenue from the hotel due to keen market competition and the outbreak of Covid-19, which is arrived at on the basis of valuation carried out by CBRE K.K. as 31 December 2019 and 2020.

The recoverable amounts of the relevant assets have been determined on the basis of value in use of the individual hotel properties. The value in use is calculated based on the capitalisation of net income with due allowances of outgoing and provisions for reversionary income potential covering a period of 10 years, and at a discount rate ranging from 4.7% to 5.0% (2019: 4.5%). Based on the result of the assessment, management of the Group determined that the recoverable amount of the hotels properties is lower than the carrying amount. Based on the value in use calculation, an impairment of HK\$24,445,000 (2018: HK\$15,539,000), has been recognised against the carrying amount of property, plant and equipment.

## 18. RIGHT-OF-USE ASSETS

	<b>Leased properties</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
<b>As at 1 January</b>		
Carrying amount	<b>63,648</b>	64,954
<b>As at 31 December</b>		
Carrying amount	<b>47,153</b>	63,648
<b>For the year ended</b>		
Depreciation charge	<b>12,019</b>	11,421
Expense relating to short-term leases	<b>90</b>	1,848
Total cash outflow for leases	<b>17,158</b>	23,505
Additions to right-of-use assets	<b>13,523</b>	5,407

For both years, the Group leases various offices and warehouses, for its operations. Lease contracts are entered into for fixed term of 3 to 6 years (2019: 3 to 7 years). The Group has extension options in a number of leases for offices and warehouses. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessors. The Group assessed that it is reasonably certain to exercise all the extension option at the date of initial application. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 19. GOODWILL

HK\$'000

### COST AND CARRYING VALUES

At 1 January 2019, 31 December 2019 and 31 December 2020 126,406

Goodwill arose from the acquisition of equity interest in a group which engaged in distribution of mobile and IT products in Thailand.

For the purposes of impairment testing, goodwill has been allocated to a group of cash-generating units, in relation to distribution of mobile and IT products in Thailand, which represent the lowest level at which the goodwill is monitored internally for management purpose.

At both 31 December 2020 and 2019, management of the Group determines that there is no impairment on the goodwill, since the recoverable amount which determined with reference to the market capitalisation of such cash-generating units is above the carrying amount.

## 20. INTERESTS IN ASSOCIATES

	2020 HK\$'000	2019 HK\$'000
Cost of investment in associates		
Listed overseas	87,224	87,224
Unlisted overseas	4,873	4,873
Share of post-acquisition profits and reserves, net of dividend received	<u>21,228</u>	<u>16,105</u>
	<u>113,325</u>	<u>108,202</u>
Fair value of listed associates	<u>141,847</u>	<u>143,136</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 20. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the principal associates at the end of the reporting period are as follows:

Name of company	Form of business structure	Country of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company		Proportion of voting rights held indirectly by the Company		Principal activities
				2020	2019	2020	2019	
Information Technology Consultants Limited ("ITCL")	Limited company	Bangladesh	Ordinary	<b>37.6%</b>	37.6%	<b>37.6%</b>	37.6%	Provision of financial services and mobile banking solutions
Wiko Mobile (Thailand) Co. Ltd.	Limited company	Thailand	Ordinary	<b>28.6%</b>	28.6%	<b>28.6%</b>	28.6%	Distribution of smartphone under brand ("Wiko")

### Summarised financial information of material associate

The following are the summarised financial information of ITCL. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. Such associate is accounted for using equity method in the consolidated financial statements.

	2020 HK\$'000	2019 HK\$'000
Current assets	<b>141,436</b>	153,514
Non-current assets	<b>106,029</b>	103,828
Current liabilities	<b>(57,401)</b>	(82,524)
Non-current liabilities	<b>(5,437)</b>	(1,108)
	<b>184,627</b>	173,710
Revenue	<b>134,585</b>	109,142
Profit for the year	<b>14,207</b>	16,951
Other comprehensive expense for the year	<b>—</b>	—
Total comprehensive income for the year	<b>14,207</b>	16,951
Group's share of the total profit for the year	<b>5,341</b>	6,373

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 20. INTERESTS IN ASSOCIATES (CONTINUED)

### Summarised financial information of material associate (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2020 HK\$'000	2019 HK\$'000
Net assets of ITCL	<b>184,627</b>	173,710
Proportion of the Group's ownership interest in ITCL	<b>37.6%</b>	37.6%
The Group's share of net assets of ITCL	<b>69,414</b>	65,310
Goodwill ( <i>Note</i> )	<b>30,313</b>	30,313
Carrying amount of the Group's interest in ITCL	<b>99,727</b>	95,623

*Note: ITCL was listed on the stock exchange in Bangladesh in 2016. The amount represented the fair value of retained interest over the share of diluted interest of net assets of ITCL.*

### Aggregate information of associate that is not individually material

	2020 HK\$'000	2019 HK\$'000
The Group's share of profit (loss) for the year	<b>972</b>	(1,751)

The Group has discontinued recognising its share of losses of certain associates. The amounts of unrecognised share of losses of these associates, extracted from the management accounts of the relevant associates, both for the year and cumulatively, are as follows:

	2020 HK\$'000	2019 HK\$'000
Unrecognised share of loss of associates for the year	<b>(1)</b>	(6)
Accumulated unrecognised share of losses of associates	<b>(526)</b>	(525)

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 21. EQUITY INSTRUMENTS AT FVTPL

	2020 HK\$'000	2019 HK\$'000
Listed securities designated at FVTPL:		
Equity securities listed in Hong Kong	12,715	18,197
Equity securities listed overseas	<u>169,836</u>	<u>157,992</u>
	<u>182,551</u>	<u>176,189</u>
Listed securities held for trading		
Equity securities listed overseas	<u>16,901</u>	<u>14,362</u>
Analysed for reporting purposes as:		
Current assets	16,901	14,362
Non-current assets	<u>182,551</u>	<u>176,189</u>
	<u>199,452</u>	<u>190,551</u>

## 22. EQUITY INSTRUMENTS AT FVTOCI

	2020 HK\$'000	2019 HK\$'000
Listed investments:		
Equity securities listed in Hong Kong	8,709	9,900
Equity securities listed overseas	<u>4,653</u>	<u>4,088</u>
	<u>13,362</u>	<u>13,988</u>
Unlisted investments:		
Equity securities established in Hong Kong	3,511	3,466
Equity securities established overseas	<u>61,875</u>	<u>74,041</u>
	<u>65,386</u>	<u>77,507</u>
	<u>78,748</u>	<u>91,495</u>

The above listed and unlisted equity investments are not held for trading, instead, they are held for long-term strategic purposes. The unlisted equity securities represent investment in entities involve in IT related business and development of hospitality business are held for strategic and capital appreciation purposes. The directors of the Company have elected to designate these investments as equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investment for long-term purposes and realising their performance potential in the long run.

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

### 23. OTHER FINANCIAL ASSETS

The other financial assets are analysed as follow:

	2020 HK\$'000	2019 HK\$'000
Rental deposits paid	3,118	3,059
Other receivables (Note)	5,094	10,019
	<u>8,212</u>	<u>13,078</u>

*Note: The amounts represented outstanding balances from two trade debtors with aggregate carrying amount of HK\$8,687,000 (2019: HK\$10,253,000) which were past due over three months. The terms of the receivables have been modified on which fixed interests are charged at 3.00% to 6.00% per annum (2019: 2.75% and 6.60% per annum) respectively and the final maturity dates are August 2024 and August 2026 (2019: June 2026) in which HK\$3,593,000 (2019: HK\$234,000) is to be repaid within twelve months from the date of the reporting period and has been included in trade and other receivables, deposits and prepayments under current assets. The receivables are secured by the properties and land title deed.*

Details of impairment assessment are set out in note 40.

### 24. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Finished goods	<u>661,795</u>	<u>824,832</u>

During the year, write-down of obsolete and slow moving inventories of HK\$7,068,000 (2019: HK\$4,595,000) has been recognised in the profit or loss.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Trade receivables from sales of goods	1,153,175	985,831
Lease receivables	12,990	1,459
Less: allowance for credit losses	<u>(25,181)</u>	<u>(4,657)</u>
	<b>1,140,984</b>	982,633
Consumption tax receivable	6,628	28,761
Value added tax receivable	6,377	8,974
Rebate and claims receivable	25,722	53,933
Trade deposits for mobile and IT products	147,878	71,279
Effective rental receivables	22,944	17,426
Prepayments	33,797	8,615
Deposits and others	<u>11,968</u>	<u>16,567</u>
	<b><u>1,396,298</u></b>	<b><u>1,188,188</u></b>

At 1 January 2019, trade receivables from contracts with customers amounted to HK\$815,319,000.

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows credit period range from 30 to 90 days to its trade customers. No credit period is granted to the customers for renting of properties. Rent is payable on presentation of a demand note. No interest is charged on overdue debts.

The following is an aged analysis of trade and lease receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period.

	2020 HK\$'000	2019 HK\$'000
Within 30 days	692,204	469,723
31 to 90 days	312,534	426,720
91 to 120 days	44,077	39,709
Over 120 days	<u>92,169</u>	<u>46,481</u>
	<b><u>1,140,984</u></b>	<b><u>982,633</u></b>

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$245,204,000 (2019: HK\$253,259,000) which are past due as at the reporting date. Out of the past due balances, HK\$46,328,000 (2019: HK\$19,912,000) has been past due 90 days or more and is not considered as in default after considering the creditworthiness and past payment history of these debtors. The Group does not hold any collateral over these balances.

Details of impairment assessment are set out in note 40.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 26. AMOUNTS DUE FROM (TO) AN ASSOCIATE

The amounts due from/to an associate are in trade nature which are unsecured, interest-free with credit period range from 30 to 90 days.

Details of impairment assessment are set out in note 40.

## 27. PLEDGED DEPOSITS/BANK BALANCES AND CASH

Pledged deposits and bank balances comprise of short-term bank deposits which carry interest at market rates ranging from 0.0001% to 2.48% (2019: 0.001% to 2.75%) per annum.

Pledged deposits that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amounted to HK\$332,596,000 (2019: HK\$330,759,000).

Details of impairment assessment are set out in note 40.

## 28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020 HK\$'000	2019 HK\$'000
Trade payables	644,691	525,265
Accrued marketing expenses	155,379	122,342
Accrued listing fee	—	717
Receipt in advance for leasing of investment properties	16,485	20,509
Accrued staff costs	61,859	49,834
Other tax payable	17,063	9,352
Interest payable	6,385	6,267
Accruals and other payables	74,686	75,771
	<u>976,548</u>	<u>810,057</u>

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

Trade payables that are denominated in United States Dollar ("US\$"), currency other than the functional currencies of the relevant group entities amounted to HK\$62,495,000 (2019: HK\$43,169,000).

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

The following is an aged analysis of the trade payables, based on the invoice date, at the end of the reporting period.

	2020 HK\$'000	2019 HK\$'000
Within 30 days	489,415	368,688
31 to 90 days	137,924	144,271
91 to 120 days	7,739	2,856
Over 120 days	9,613	9,450
	<u>644,691</u>	<u>525,265</u>

## 29. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Distribution of mobile and IT products	<u>33,654</u>	<u>22,871</u>

As at 1 January 2019, contract liabilities amounted to HK\$12,310,000.

During the year, the Group has recognised revenue of HK\$22,871,000 (2019: HK\$12,310,000) that was included in the contract liabilities balance at the beginning of the year.

The Group receives deposits from certain customers when they issues purchase order. This results in contract liabilities being recognised until the control of the mobile and IT products is passed to the customers.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 30. LEASE LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Lease liabilities payable:		
Within one year	18,156	19,240
Within a period of more than one year but not more than two years	17,851	19,398
Within a period of more than two years but not more than five years	34,078	46,074
Within a period of more than five years	19,073	23,821
	<u>89,158</u>	108,533
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(18,156)</u>	(18,348)
Amount due for settlement after 12 months shown under non-current liabilities	<u>71,002</u>	<u>90,185</u>

The weighted average incremental borrowing rates applied to lease liabilities was 3.6% (2019: 2.7%).

## 31. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 HK\$'000	2019 HK\$'000
Foreign currency forward contracts	<u>2,078</u>	<u>975</u>

The terms of the foreign currency forward contracts are listed out as below:

Buy	Sell	Maturity	Contract rates
2020 US\$15,017,000	THB455,655,000	29 January 2021 to 21 June 2021	US\$1:THB29.7 to US\$1:THB31.28
2019 US\$29,005,000	THB875,265,000	3 January 2020 to 3 July 2020	US\$1:THB29.84 to US\$1:THB30.81

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 32. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Bank loans	3,264,029	3,168,513
Trust receipt loans	419,221	537,270
	<u>3,683,250</u>	<u>3,705,783</u>
Secured	3,145,304	2,998,156
Unsecured	537,946	707,627
	<u>3,683,250</u>	<u>3,705,783</u>

The Group's bank borrowings were repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Carrying amount of bank borrowings based on scheduled repayment dates sets out in the loan agreements:		
Within one year	2,199,356	2,396,240
Within a period of more than one year but not more than two years	352,158	197,630
Within a period of more than two year but not more than five years	734,408	1,035,880
	<u>3,285,922</u>	<u>3,629,750</u>
Carrying amount of bank borrowings that contains a repayment on demand clause (show under current liabilities):		
— repayable within one year	7,438	3,567
— repayable more than one year, but not exceeding two years	7,438	8,545
— repayable more than two year, but not exceeding five years	382,452	63,921
	<u>397,328</u>	<u>76,033</u>
	<u>3,683,250</u>	<u>3,705,783</u>
Less: Amount due within one year shown under current liabilities	<u>(2,596,684)</u>	<u>(2,472,273)</u>
Amount shown under non-current liabilities	<u>1,086,566</u>	<u>1,233,510</u>

The bank loans bear interest at variable market interest rates, which are based on London Interbank Offer Rate ("LIBOR"), Singapore Interbank Offer Rate ("SIBOR") or JPY LIBOR plus a margin, ranging from 0.4% to 1.95% per annum (2019: LIBOR, SIBOR or JPY LIBOR plus 0.4% to 1.95% per annum).

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 32. BANK BORROWINGS (CONTINUED)

The bank loans that are denominated in THB bears floating interest rates at 2.5% per annum as at 31 December 2019.

Trust receipt bears floating interest rates from 0.9% to 1.1% per annum (2019: 1.55% to 2.5%).

Bank loans that are denominated in Japanese Yen ("JPY") and US\$, amounted to JPY14,194,250,000 (equivalent to HK\$1,065,988,000) (2019: JPY12,844,250,000 (equivalent to HK\$919,648,000)) and US\$10,730,000 (equivalent to HK\$83,694,000) (2019: US\$13,500,000 (equivalent to HK\$105,300,000)) respectively. All other bank loans are denominated in functional currency of the respective group entities.

As at 31 December 2020, the Group was not able to comply with certain financial covenants of bank borrowings amounting to JPY8,609,961,000 (equivalent to HK\$646,608,000) (2019: nil) as stipulated in the relevant bank loan agreements, which the bank has agreed not to demand for repayment. Subsequent to the end of the reporting period, except for a bank borrowing of JPY2,516,337,000 (equivalent to HK\$188,977,000) (2019: nil) which the final maturity date on 31 October 2021, the Group has refinanced the respective bank borrowings with related banks for a period of five years.

## 33. BONDS

Bonds with aggregate principal amount of JPY3,885,599,000 (equivalent to HK\$291,809,000) (2019: JPY3,879,642,000 (equivalent to HK\$277,782,000)) will mature on 30 July 2024. The bonds are all denominated and settled in JPY, bear interest at rates ranging from JPY LIBOR plus 1.00% to 1.90% (2019: JPY LIBOR plus 1.00% to 1.90%) per annum, and non-recourse in nature.

	2020 HK\$'000	2019 HK\$'000
Carrying amount of bond repayable based on contractual repayment dates:		
Within one year	74,983	—
More than one year but not more than two years	—	71,354
More than two years but not more than five years	<u>216,826</u>	<u>206,428</u>
	<u>291,809</u>	<u>277,782</u>

As at 31 December 2020, the Group was not able to comply with certain financial covenants of bonds amounting to JPY2,232,242,000 (equivalent to HK\$167,641,000) (2019: nil) as stipulated in the relevant agreements, which the bank has agreed not to demand for repayment. Subsequent to the end of the reporting period, except for a bond of JPY998,438,000 (equivalent to HK\$74,983,000) (2019: nil) which the final maturity date on 31 October 2021, the Group has refinanced the respective bonds with related banks for a period of five years.

## 34. RENTAL DEPOSITS

The amount recognised represents the rental deposits received under operating leases.

# Notes to the Consolidated Financial Statements

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## 35. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Allowances for credit losses/ inventories/ accrual HK\$'000	Tax losses HK\$'000	Undistributed earnings of subsidiaries HK\$'000	Revaluation of properties/ impairment of property, plant and equipment HK\$'000	Total HK\$'000
At 1 January 2019	(14,757)	57,448	9,657	(45,497)	(140,433)	(133,582)
(Charge) credit to profit or loss	(12)	8,823	(1,165)	(9,619)	9,124	7,151
Exchange realignment	—	3,804	—	(2,544)	—	1,260
At 31 December 2019	<b>(14,769)</b>	<b>70,075</b>	<b>8,492</b>	<b>(57,660)</b>	<b>(131,309)</b>	<b>(125,171)</b>
(Charge) credit to profit or loss	<b>(1,048)</b>	<b>6,901</b>	<b>(1,545)</b>	<b>(9,648)</b>	<b>100,576</b>	<b>95,236</b>
Exchange realignment	—	<b>334</b>	—	<b>(1,946)</b>	<b>(2,984)</b>	<b>(4,596)</b>
At 31 December 2020	<b>(15,817)</b>	<b>77,310</b>	<b>6,947</b>	<b>(69,254)</b>	<b>(33,717)</b>	<b>(34,531)</b>

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

	2020 HK\$'000	2019 HK\$'000
Deferred tax assets	<b>84,257</b>	78,567
Deferred tax liabilities	<b>(118,788)</b>	(203,738)
	<b>(34,531)</b>	(125,171)

At the end of the reporting period, the Group has other deductible temporary differences of HK\$444,449,000 (2019: HK\$403,693,000) and unutilised tax losses of HK\$145,894,000 (2019: HK\$167,685,000). A deferred tax asset has been recognised in respect of the tax losses of HK\$42,104,000 (2019: HK\$51,465,000) and other deductible temporary differences of HK\$386,549,000 (2019: HK\$350,377,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$103,790,000 (2019: HK\$116,220,000) and the other deductible temporary differences of HK\$57,900,000 (2019: HK\$53,316,000) due to the unpredictability of future assessable profit streams. All tax losses can be carried forward indefinitely.

# Notes to the Consolidated Financial Statements

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## 36. RETIREMENT BENEFIT SCHEMES

### Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The total expense recognised in profit or loss of HK\$7,530,000 (2019: HK\$12,621,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Employees of the Group's subsidiaries incorporated in Singapore are members of pension schemes operated by the local government. The subsidiaries contributions to the pension schemes ranges from 6.5% to 16% of the employees' monthly salaries.

### Defined benefit plan

The Group also operates defined benefit plans ("the Plan") for qualifying employees of its subsidiaries in Thailand based on the requirement of Thai Labour Protection Act B.E. 2541(1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2020 and 2019 by independent actuary, NIDA Consulting Center. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2020	2019
Discount rate	1.60%	1.60%
Expected rate of salary increase	6% p.a.	6% p.a.
Employee turnover rate	0-20%	0-27%

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the Plan is as follows:

	2020 HK\$'000	2019 HK\$'000
Present value of defined benefit obligation	<u>19,018</u>	<u>21,984</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 36. RETIREMENT BENEFIT SCHEMES (CONTINUED)

### Defined benefit plan (Continued)

Movements of the present value of defined obligation are as follows:

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	21,984	12,327
Exchange realignment	(138)	972
Current services costs	3,286	2,729
Interest on obligation	467	408
Past service costs	(433)	4,069
Actuarial (loss) gain	(1,166)	1,802
Benefits paid during the year	(4,982)	(323)
At end of the year	19,018	21,984

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette in Thailand. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law was effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group has additional long-term employee benefit liabilities of THB 15,650,000 (equivalent to HK\$4,069,000) as a result. The Group reflects the effect of the change by recognising past service costs as expenses in the income statement of the year ended 31 December 2019.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and employee turnover rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by HK\$2,314,000 or increase by HK\$2,808,000 (2019: decrease by HK\$1,820,000 or increase by HK\$2,158,000).
- If the expected salary growth increases or decreases by 1%, the defined benefit obligation would increase by HK\$2,652,000 or decrease by HK\$2,262,000 (2019: increase by HK\$2,470,000 or decrease by HK\$2,132,000).
- If the life employee turnover rate increases or decreases by 1%, the defined benefit obligation would decrease by HK\$2,496,000 or increase by HK\$1,170,000 (2019: decrease by HK\$1,950,000 or increase by HK\$806,000).

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 36. RETIREMENT BENEFIT SCHEMES (CONTINUED)

### Defined benefit plan (Continued)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

## 37. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	2020	2019	2020 HK\$'000	2019 HK\$'000
Authorised	<u>350,000,000</u>	<u>350,000,000</u>	<u>35,000</u>	<u>35,000</u>
Issued and fully paid				
At beginning of year	<u>277,966,666</u>	<u>277,966,666</u>	<u>27,797</u>	<u>27,797</u>
At end of year	<u>277,966,666</u>	<u>277,966,666</u>	<u>27,797</u>	<u>27,797</u>

## 38. SHARE OPTION SCHEME

### (a) SiS International Holdings Limited

A new share option scheme was adopted by the Company on 26 May 2017 (the "New Scheme"), while the old share option scheme adopted by the Company on 21 May 2007 had expired on 20 May 2017 (the "Old Scheme"). The Old Scheme and New Scheme are collectively referred as SiS International Share Option Scheme (the "SiS International Share Option Scheme"). Pursuant to the SiS International Share Option Scheme, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of shares of the Company in issue, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company's issued share capital, without prior approval from the Company's shareholders. HK\$100.00 is payable by each eligible participant to the Company on acceptance of an offer of options.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 38. SHARE OPTION SCHEME (CONTINUED)

### (a) SiS International Holdings Limited (Continued)

During the year ended 31 December 2015, share options were granted by the Company on 26 June 2015 to certain directors of the Company and employees of the Group and third parties at an exercise price of HK\$4.47 per share and at a cash consideration of HK\$10.00 per grantee.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Details of the share options outstanding as at 31 December 2020 are as follows:

Number of share options	Vesting period	Exercise period	Exercise price
750,000	26 June 2015–31 December 2015	1 January 2016–26 June 2025	HK\$4.47
750,000	26 June 2015–31 December 2016	1 January 2017–26 June 2025	HK\$4.47
750,000	26 June 2015–31 December 2017	1 January 2018–26 June 2025	HK\$4.47

The movements in the shares options during the two years ended 31 December 2019 and 31 December 2020 are as follows:

Grantee	Outstanding at 1 January 2019, 31 December 2019 and 2020
Directors	990,000
Employees and others	1,260,000
	<u>2,250,000</u>
Exercisable	<u>2,250,000</u>
Weighted average exercise price	<u>4.47</u>

No options were granted, exercised, lapsed or forfeited during the years ended 31 December 2020 and 31 December 2019.

At 31 December 2020, the number of options which remained outstanding under the Scheme was 2,250,000 (2019: 2,250,000) which, if exercised in full, represents 0.8% (2019: 0.8%) of the enlarged capital of the Company.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 38. SHARE OPTION SCHEME (CONTINUED)

### (b) SiS Mobile Holdings Limited

Pursuant to the share option scheme adopted by the SiS Mobile on 16 December 2014 (the “SiS Mobile Share Option Scheme”), SiS Mobile may grant options to qualified persons, including employees and directors of SiS Mobile, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of SiS Mobile.

During the year ended 31 December 2015, share options were granted by SiS Mobile on 25 June 2015 to directors, certain employees and eligible persons of the SiS Mobile group. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of shares of SiS Mobile in issue, without prior approval from SiS Mobile shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of SiS Mobile issued share capital, without prior approval from SiS Mobile shareholders. HK\$100 is payable by each eligible participant to SiS Mobile on acceptance of an offer of options.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Details of the share options outstanding as at 31 December 2020 are as follows:

No. of share options	Vesting period	Exercise period	Exercise price
2,530,000	25.6.2015–31.12.2015	1.1.2016–30.6.2023	HK\$2.36
2,530,000	25.6.2015–31.12.2016	1.1.2017–30.6.2023	HK\$2.36
2,530,000	25.6.2015–31.12.2017	1.1.2018–30.6.2023	HK\$2.36

Movements in the share options during the year ended 31 December 2019 and 2020 are as follows:

Grantee	Outstanding at 1 January 2019	Lapsed during 2019	Outstanding at 31 December 2019 and 2020
Directors	6,390,000	—	6,390,000
Employees	1,500,000	(300,000)	1,200,000
	<u>7,890,000</u>	<u>(300,000)</u>	<u>7,590,000</u>
Exercisable	<u>7,890,000</u>		<u>7,590,000</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 39. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of borrowings, lease liabilities, bonds and equity, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

## 40. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
Equity instruments at FVTPL	199,452	190,551
Equity instruments at FVTOCI	78,748	91,495
Financial assets at amortised cost	<u>2,597,298</u>	<u>2,247,107</u>
	<u>2,875,498</u>	<u>2,529,153</u>
<b>Financial liabilities</b>		
Derivative financial instruments	2,078	975
Financial liabilities at amortised cost	<u>4,902,168</u>	<u>4,765,426</u>
	<u>4,904,246</u>	<u>4,766,401</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objectives and policies

The Group's major financial instruments and details of the financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

The Group's activities expose it primarily to the risks of changes in foreign currency rates and equity prices.

#### (i) Currency risk

Certain purchase of goods of the Group are denominated in US\$. Certain bank balances are denominated in US\$, Australian Dollar, Singapore Dollar, Malaysian Ringgit, JPY and Renminbi, the currencies other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
US\$	564,840	545,913	310,790	267,364
Australian Dollar	18,279	15,586	—	—
Singapore Dollar	62,785	61,864	9,696	9,540
Malaysian Ringgit	—	—	1,002	986
JPY	4,837	6,037	1,074,822	925,609
Renminbi	3,335	3,119	—	—
<b>Inter-company balances</b>				
JPY	1,243,117	1,059,950	—	—

The Group currently does not have comprehensive hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should need arise.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### (i) Currency risk (Continued)

##### Sensitivity analysis

The following analysis indicates the change in the Group's post-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk at that date, and all other variables are held constant. The sensitivity analysis also includes inter-company balances where the denomination of the loans are in a currency other than the functional currency of the lenders.

	2020		2019	
	Increase (decrease) in foreign exchange rates %	Increase (decrease) in post-tax profit HK\$'000	Increase (decrease) in foreign exchange rates %	Increase (decrease) in post-tax profit HK\$'000
<b>Non-derivative financial instruments</b>				
US\$	1.5 (1.5)	3,182 (3,182)	1.5 (1.5)	3,489 (3,489)
Australian Dollar	10.0 (10.0)	1,526 (1,526)	10.0 (10.0)	1,301 (1,301)
Singapore Dollar	5.0 (5.0)	2,216 (2,216)	5.0 (5.0)	2,184 (2,184)
Malaysian Ringgit	5.0 (5.0)	(42) 42	5.0 (5.0)	(41) 41
JPY	10.0 (10.0)	14,457 (14,457)	10.0 (10.0)	11,722 (11,722)
Renminbi	10.0 (10.0)	278 (278)	10.0 (10.0)	260 (260)
<b>Derivative financial instruments</b>				
US\$	1.5 (1.5)	1,739 (1,832)	1.5 (1.5)	3,375 (3,485)

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### (ii) Price risk

The Group is exposed to equity price risk through its investment in equity securities measured at FVTPL and FVTOCI. The management closely keeps watch of the price changes and takes appropriate action when necessary.

##### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to listed and unlisted equity securities at the end of the reporting period.

If the price of the respective equity instruments of FVTPL had been 10% (2019: 10%) higher/lower, the Group's post-tax profit for the year ended 31 December 2020 would increase/decrease by HK\$19,945,000 (2019: HK\$19,055,000) as a result of the changes in fair value of equity instruments at FVTPL.

If the price of the respective equity instruments at FVTOCI had been 10% (2019: 10%) higher/lower, the Group's investments reserve would increase/decrease by HK\$7,875,000 (2019: HK\$9,150,000) as result of the changes in fair value of equity instruments at FVTOCI.

##### (iii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to other receivables and lease liabilities (see notes 25 and 30 for details).

The balances comprising pledged deposits, bank balances, bonds and bank borrowings carry interests at floating rate, thus exposing the Group to cash flow interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

##### Sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would decrease/increase by approximately HK\$9,644,000 (2019: HK\$11,943,000). The analysis is prepared assuming the amounts of pledged deposits, bank balances, bank loans and bonds outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

#### *Lease receivables and trade receivables arising from contracts with customers*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on the receivables collectively with appropriate groupings and individually for credit-impaired balances.

#### *Other receivables and deposits*

The other receivables mainly represents rebate and claims receivables from suppliers as well as advance to suppliers, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020 and 2019, the Group assessed the ECL for deposits were insignificant and thus no loss allowance was recognised.

For other receivables, the directors of the Company consider the exposure of the credit risk, historical settlement and other forward-looking information and allowance of credit loss of HK\$2,105,000 (2019: nil) was recognised.

#### *Pledged deposits and bank balances*

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits and bank balances is considered to be insignificant.

#### *Other receivables included in other financial assets*

The directors of the Company estimated the loss rates of other receivables based on the fair value of the collateral pledged by the debtors to the loan receivables. Based on assessment by the directors of the Company, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals and the directors of the Company considers the ECL for loan receivables is insignificant.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

##### *Amount due from an associate*

The Group regularly monitors the business performance of the associate. The Group's credit risks in the balance is mitigated through the value of the assets held by the associate and the power to participate the relevant activities of this entity. The directors of the Company believe that there is no significant increase in credit risk and the Group's credit risk is not significant and thus no allowance was recognised.

The Group has no significant concentration of credit risk over its trade receivables, with exposure spread over a number of counterparties and customers. The Group's concentration of credit risk by geographical location of customers are mainly in Hong Kong and Thailand which accounted for majority of the trade receivables at 31 December 2020.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and lease receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default, does not have any past due or overdue with 30 days	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates over 30 days but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

##### Amount due from an associate (Continued)

The tables below detail the credit risk exposures of the Group's major financial assets which are subject to ECL assessment:

31 December	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount HK\$'000	2019 Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>					
Trade receivables	N/A	Low risk/watch list/ Loss (Note)	Lifetime ECL — not credit-impaired	<b>1,144,168</b>	983,123
			Lifetime ECL — credit-impaired	<b>9,007</b>	2,708
Lease receivables	N/A	Low risk	Lifetime ECL — not credit-impaired	<b>4,449</b>	1,459
		Loss (Note)	Lifetime ECL — credit-impaired	<b>8,541</b>	—
Pledged deposits	Above A-	N/A	12m ECL	<b>450,733</b>	454,759
Bank balances	Above A-	N/A	12m ECL	<b>794,944</b>	668,048
Other receivables	N/A	Low risk	12m ECL	<b>201,969</b>	128,191
Amount due from an associate	N/A	Low risk	12m ECL	<b>353</b>	355
Deposit paid	N/A	N/A	12m ECL	<b>3,118</b>	3,059
Loan receivables	N/A	Low risk	12m ECL	<b>5,094</b>	10,019

Note: For trade and lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired due to the receivables aged over 90 days, the Group determines the ECL on these items by internal credit rating status with appropriate grouping with reference to historical credit loss experience. Debtors that are large scale and/or with long business relationship with good repayment history are considered as low risk and a minimal default rate is assigned, while debtors which usually settle one to three months after due dates are considered as watch list and a low default rate is assigned.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

##### Amount due from an associate (Continued)

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

	Not credit- impaired HK\$'000	Credit-impaired HK\$'000	Total HK\$'000
As at 1 January 2019	—	585	585
Impairment loss	1,949	2,123	4,072
As at 1 January 2020	<b>1,949</b>	<b>2,708</b>	<b>4,657</b>
Impairment loss	<b>8,343</b>	<b>21,667</b>	<b>30,010</b>
Write-off	<b>(3)</b>	<b>(10,147)</b>	<b>(10,150)</b>
Exchange adjustment	<b>109</b>	<b>555</b>	<b>664</b>
As at 31 December 2020	<b>10,398</b>	<b>14,783</b>	<b>25,181</b>

The following table provides information about the exposure to credit risk for trade and lease receivables, which are assessed based on provision matrix as at 31 December 2020 within lifetime ECL (not credit-impaired).

#### Internal credit rating

	2020		2019	
	Loss rates	Trade and lease receivables HK\$'000	Loss rates	Trade and lease receivables HK\$'000
Low risk	0.3%–0.6%	876,518	0.3%–0.5%	730,144
Watch list	1%–12%	274,864	1%–5%	254,438
		<b>1,151,382</b>		<b>984,582</b>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objectives and policies (Continued)

#### Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$435,749,000 as at 31 December 2020.

Moreover, as at 31 December 2020, the Group had bank borrowings and bonds of HK\$646,608,000 and HK\$167,641,000 respectively, were not comply with certain financial covenants as stipulated in the relevant agreements. The banks have agreed not to demand for repayment due to the non-compliance of the financial covenants. Subsequent to the end of the reporting period, except for a bank borrowing of HK\$188,977,000 and a bond of HK\$74,983,000 which the final maturity date on 31 October 2021, the Group has agreed with related banks to refinance these loans.

The directors of the Company believe that the existing loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has a number of sources of funds available to enable its obligation and commitments to be settled on a timely manner. In addition, the Group will be able to withdraw the unutilised bank facilities or obtain additional financing from financial institutions by taking into account the carrying amount of the Group's assets which have not been pledged. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or within 3 months HK\$'000	3-12 months HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000
<b>2020</b>								
<b>Non-derivative financial liabilities</b>								
Trade and other payables	N/A	650,531	155,379	—	—	—	805,910	805,910
Bank borrowings	1.45	2,321,749	232,875	416,574	758,668	—	3,729,866	3,683,250
Bonds	1.33	3,803	77,795	2,537	219,431	—	303,566	291,809
Amounts due to related companies	N/A	62	—	—	—	—	62	62
Rental deposits	1.24	3,559	17,392	8,898	38,651	77,254	145,754	121,137
Sub-total		2,979,704	483,441	428,009	1,016,750	77,254	4,985,158	4,902,168
Lease liabilities	3.6	8,130	21,224	25,543	37,652	31,946	124,495	89,158
		<u>2,987,834</u>	<u>504,665</u>	<u>453,552</u>	<u>1,054,402</u>	<u>109,200</u>	<u>5,109,653</u>	<u>4,991,326</u>
<b>Derivative financial instruments</b>								
Foreign currency forward contracts		2,078	—	—	—	—	2,078	2,078
		<u>2,078</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,078</u>	<u>2,078</u>
	Weighted average interest rate %	On demand or within 3 months HK\$'000	3-12 months HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000
<b>2019</b>								
<b>Non-derivative financial liabilities</b>								
Trade and other payables	N/A	532,620	122,342	—	—	—	654,962	654,962
Bank borrowings	1.68	2,455,279	35,039	215,805	1,054,822	—	3,760,945	3,705,783
Bonds	1.33	985	2,954	75,323	296,161	—	375,423	277,782
Amounts due to related companies	N/A	1,382	—	—	—	—	1,382	1,382
Rental deposits	1.67	5,538	31,336	12,577	19,808	79,275	148,534	125,517
Sub-total		2,995,804	191,671	303,705	1,370,791	79,275	4,941,246	4,765,426
Lease liabilities	2.70	4,957	15,191	20,493	48,362	44,893	133,896	108,533
		<u>3,000,761</u>	<u>206,862</u>	<u>324,198</u>	<u>1,419,153</u>	<u>124,168</u>	<u>5,075,142</u>	<u>4,873,959</u>
<b>Derivative financial instruments</b>								
Foreign currency forward contracts		975	—	—	—	—	975	975
		<u>975</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>975</u>	<u>975</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### b. Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the “on demand or within 3 months” time band in the above maturity analysis. As at 31 December 2020, the aggregate amounts of these bank borrowings amounted to HK\$397,328,000 (2019: HK\$76,033,000). The directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group’s bank borrowings with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or within 3 months HK\$'000	3-12 months HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<b>2020</b>							
Bank borrowings with a repayment on demand clause	1,089	13,804	14,749	392,844	—	422,486	397,328
<b>2019</b>							
Bank borrowings with a repayment on demand clause	345	3,222	10,289	65,777	—	79,633	76,033

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### c. Fair value

#### (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### c. Fair value (Continued)

#### (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

*Fair value measurements recognised in the consolidated statement of financial position*

Financial assets (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31.12.2020 HK\$'000	31.12.2019 HK\$'000		
1. Listed equity securities classified as equity instruments at FVTPL	199,452	190,551	Level 1	Quoted bid prices in active markets.
2. Listed equity securities classified as equity instruments at FVTOCI	13,362	13,988	Level 1	Quoted bid prices in active markets.
3. Unquoted equity investments classified as equity instruments at FVTOCI	65,386	77,507	Level 3	The discounted cash flows method and discount rate of 11.5% (2019: 19.5%) was used to capture the present value of the expected future economic benefit to be derived from the ownership of these investees. <i>(Note 1)</i>  Discount ranging from 25% to 30% (2019: 25%) for lack of marketability and by reference to the share price of listed entities in similar industries. <i>(Note 2)</i>
4. Foreign currency forward contracts classified as derivative financial instruments	Liabilities (2,078)	Liabilities (975)	Level 2	Discounted cash flows: Future cash flows are estimated based on quoted forward exchange rates, which is observable at the end of period.

*Note 1 A slight increase in the discount rate used in isolation would result in a significant decrease in the fair value measurement of the private equity investments, and vice versa.*

*Note 2 An increase in the discount for lack of marketability or discount rate would result in a decrease in the fair value measurement of unquoted equity investment, and vice versa.*

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### c. Fair value (Continued)

#### (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

##### *Reconciliation of Level 3 fair value measurements*

	<b>Financial assets at FVTOCI HK\$'000</b>
At 1 January 2019	50,286
Purchases	234
Total gains:	
Gain in other comprehensive income	977
Transfer into level 3 ( <i>Note</i> )	<u>26,010</u>
At 31 December 2019	<b>77,507</b>
Purchases	<b>544</b>
Total losses:	
Loss in other comprehensive income	<u><b>(12,665)</b></u>
At 31 December 2020	<u><b>65,386</b></u>

*Note: The Group owns 1.27% per cent equity interest in a private company that is classified as equity instruments at FVTOCI and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2019 amounts to HK\$26,010,000. The fair value of the investment as at 1 January 2019 was measured using a valuation technique with observable inputs derived from recent share price of the investee issued to independent third parties and hence was classified as Level 2 of the fair value hierarchy. No recent share price has been identified up to 31 December 2020. Therefore, the fair value of the investment as at 31 December 2020 and 2019 was determined based on significant unobservable input and was classified as Level 3 of the fair value hierarchy.*

There were no other transfers between Level 1, 2 and 3 during both years.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 40. FINANCIAL INSTRUMENTS (CONTINUED)

### c. Fair value (Continued)

#### (ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair value.

The directors of the Company consider that the carrying amounts of long-term borrowing and bonds are approximate to their fair value as they are carried at variable market interest rates.

## 41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to related companies	Bank borrowings	Bonds	Dividend payable	Lease liabilities	Interest payables	Total
	HK\$'000	HK\$'000 (Note 32)	HK\$'000 (Note 33)	HK\$'000 (Note 14)	HK\$'000 (Notes 30)	HK\$'000 (Note 28)	HK\$'000
At 1 January 2019	6,616	3,092,848	274,644	—	113,714	3,684	3,491,506
Dividends declared	—	—	—	19,458	—	—	19,458
Dividends accrued to non-controlling interests	—	—	—	21,649	—	—	21,649
Interest accrued	—	58,138	4,229	—	1,649	7,994	72,010
Interest transferred to rental deposit	—	—	—	—	—	(1,727)	(1,727)
Exchange realignment	136	54,286	3,138	—	9,420	—	66,980
Financing (outflows) inflows	(6,752)	500,511	(4,229)	(41,107)	(21,657)	(3,684)	423,082
New lease entered	—	—	—	—	5,407	—	5,407
	<u>—</u>	<u>3,705,783</u>	<u>277,782</u>	<u>—</u>	<u>108,533</u>	<u>6,267</u>	<u>4,098,365</u>
At 31 December 2019	—	3,705,783	277,782	—	108,533	6,267	4,098,365
Dividends declared	—	—	—	5,559	—	—	5,559
Dividends accrued to non-controlling interests	—	—	—	21,094	—	—	21,094
Interest accrued	—	53,622	3,893	—	1,991	4,158	63,664
Exchange realignment	—	104,778	14,027	—	(491)	—	118,314
Financing outflows	—	(180,933)	(3,893)	(26,653)	(17,068)	(2,264)	(230,811)
Interest transferred to rental deposit	—	—	—	—	—	(1,776)	(1,776)
Lease terminated	—	—	—	—	(17,330)	—	(17,330)
New lease entered	—	—	—	—	13,523	—	13,523
	<u>—</u>	<u>3,683,250</u>	<u>291,809</u>	<u>—</u>	<u>89,158</u>	<u>6,385</u>	<u>4,070,602</u>
At 31 December 2020	—	3,683,250	291,809	—	89,158	6,385	4,070,602

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 42. OPERATING LEASES

### The Group as lessor

Certain properties held for rental purposes have committed leases for the next 1 month to 18.5 years (2019: 1 month to 19.5 years).

As at 31 December 2020, minimum lease payments receivable on leases are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	227,836	243,228
In the second year	182,958	197,183
In the third year	139,818	148,748
In the fourth year	136,451	117,600
In the fifth year	128,196	112,270
After five year	937,168	1,019,947
	<u>1,752,427</u>	<u>1,838,976</u>

The Group leases out the hotel properties of which the land is under operating leases with fixed rentals payable monthly. The leases typically run for an initial period of 50 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as the lease is denominated in the functional currencies of group entities. The lease contract do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

## 43. CAPITAL COMMITMENTS

	2020 HK\$'000	2019 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Investment in unquoted equity instruments	234	780
Refurbishment of investment properties	5,612	37,759
	<u>5,846</u>	<u>38,539</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 44. PLEDGE OF ASSETS

At the end of the reporting period,

- (a) the Group's investment properties with carrying values of HK\$4,199,372,000 (2019: HK\$4,705,311,000) and property, plant and equipment of carrying values of HK\$307,627,000 (2019: HK\$344,743,000) were under legal charge to secure general banking facilities and the obligation under finance leases available to the Group;
- (b) bank deposits of HK\$450,733,000 (2019: HK\$454,759,000) were pledged to secure bank loans drawn during the year; and
- (c) certain shares of subsidiaries have been pledged to the banks as at 31 December 2020 and 2019 to secure several banking facilities available to the Group.

### Restrictions on assets

Lease liabilities of HK\$47,419,000 (2019: HK\$63,969,000) are recognised with related right-of-use assets of HK\$47,153,000 (2019: HK\$63,648,000) as at 31 December 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

## 45. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020 and 2019, the Group had the following transactions with associates.

Nature of transactions	2020 HK\$'000	2019 HK\$'000
Sales of goods	275	24
Purchase of goods	266,900	366,092
Other services fee income	4,732	5,899
Service expenses	6,870	6,869

During the year ended 31 December 2020, the Group borrowed a short-term loan of HK\$40,000,000 from a related company at interest rate of 1.35% per annum. The interest rate was reference to prevailing market rates offered by banks in Hong Kong. Loan amount and interest expense of HK\$40,069,000 were fully repaid during the year. The related party is under the control of ultimate controlling shareholders of the Company.

Apart from the above, remunerations paid and payable to the executive directors of the Company who are considered to be the key management personnels are disclosed in note 13. The remuneration of directors are determined by the Remuneration Committee having regard to the Group's operating result, performance of individuals and market trends.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 46. PRINCIPAL SUBSIDIARIES

### General information of subsidiaries

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2020 %	2019 %	
<b>Direct subsidiaries:</b>					
SiS Distribution Limited	British Virgin Islands	US\$45,001	100	100	Investment holding
SiS Hospitality Holdings Limited	Cayman Islands	HK\$10	100	100	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
SiS Mobile Holdings Limited	Cayman Islands	HK\$28,000,000	52.3	52.3	Investment holding
SiS Tech Ventures Corp.	British Virgin Islands	US\$1	100	100	Investment holding
<b>Indirect subsidiaries:</b>					
Computer Zone Limited	Hong Kong	HK\$2	100	100	Property investment
Charmax Enterprises Limited	Hong Kong	HK\$10	100	100	Property investment
Ever Wealthy Limited	Hong Kong	HK\$1	100	100	Investment holding
Faith Prosper Limited	British Virgin Islands	US\$1	100	100	Investment holding
Gain Best Limited	Hong Kong	HK\$1	100	100	Property investment
Gold Kite Limited	Hong Kong	HK\$1	100	100	Investment holding
JP Hotel Management Limited	Hong Kong	HK\$2	100	100	Property investment
Qool Bangladesh Limited	Bangladesh	TK1,000,000	99	99	Investment holding
Qool Distribution (Thailand) Co., Ltd.	Thailand	THB200,000	63.5	63.5	Trading of mobile and IT products
Qool Labs Pte. Ltd.	Singapore	S\$2	100	100	Distribution of IT and communication products
Qool International Limited	Hong Kong	HK\$1	52.3	52.3	Distribution of mobile phone products and IT products
QR Capital Limited	Hong Kong	HK\$1	100	100	Property investment
SiS Asia Pte. Ltd.	Singapore	S\$2	100	100	Investment holding, provision of hardware, software and corporate management services
SiS Assets Pte. Ltd	Singapore	S\$1	100	100	Investment holding
SiS Capital Limited	Hong Kong	HK\$1	100	100	Investment holding
SiS Capital (Bangladesh) Pte Ltd.	Singapore	S\$2	100	100	Investment holding
SiS Distribution (Thailand) Public Company Limited	Thailand	THB350,198,665	63.5	63.5	Distribution of mobile and IT products and provision of services
SiS Hotel Management Co., Ltd.	Japan	JPY50,000,000	100	—	Property investment
SiS HK Limited	Hong Kong	HK\$400,000	100	100	Investment holding
SiS International Limited	Hong Kong	HK\$1	100	100	Distribution of IT products and provision of services
SiS Japan Inn TMK	Japan	JPY150,000	100	100	Property investment
SiS Netrepreneur Ventures Corp.	British Virgin Islands	US\$1	100	100	Investment holding
SiS Stargate Hotel Co., Ltd.	Japan	JPY10,000,000	100	—	Hotel operation
SiS Technologies (Thailand) Pte. Ltd.	Singapore	S\$2	100	100	Investment holding
Synergy Technologies (Asia) Limited	Hong Kong	HK\$5,000,000	52.3	52.3	Distribution of mobile phone and related products

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 46. PRINCIPAL SUBSIDIARIES (CONTINUED)

### General information of subsidiaries (Continued)

Name of subsidiary	Place of incorporation or registration/operation	Issued and fully paid ordinary share capital/registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			2020 %	2019 %	
<b>Indirect subsidiaries: (continued)</b>					
Tokutei Mokuteki Kaisha SSG8	Japan	JPY470,000,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG13	Japan	JPY200,000	100	100	Property investment
SISJP9 Tokutei Mokuteki Kaisha	Japan	JPY198,250,000	100	100	Property investment
SISJP10 Tokutei Mokuteki Kaisha	Japan	JPY302,500,000	100	100	Property investment
Thai Alliance Co., Ltd.	Thailand	THB4,800,000	96.6	96.6	Investment holding
Thai Hero Co., Ltd.	Thailand	THB2,600,000	93.2	93.2	Investment holding
Thai Joyful Co., Ltd.	Thailand	THB1,500,000	86.7	86.7	Investment holding
Thai Prosperity Co., Ltd.	Thailand	THB900,000	74.0	74.0	Investment holding
Thai Success Co., Ltd.	Thailand	THB60,000	49.0	49.0	Investment holding
Thai Investment Holdings Pte. Ltd.	Singapore	S\$1	100	100	Investment holding
Tokutei Mokuteki Kaisha SSG23	Japan	JPY200,000	70	70	Property investment
Tokutei Mokuteki Kaisha SSG11	Japan	JPY200,000	100	100	Property investment
Toikutei Mokuteki Kaisha SSG20	Japan	JPY200,000	100	100	Property investment
Toikutei Mokuteki Kaisha SSG21	Japan	JPY200,000	100	100	Property investment
Toikutei Mokuteki Kaisha SSG28	Japan	JPY200,000	100	100	Property investment

Except for the bonds stated in note 33, none of the subsidiaries had issued any debt securities during the year nor held at the end of the year.

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

### Details of non-wholly owned subsidiaries that has material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests as at 31 December 2020 and 2019.

Name of subsidiary	Country of incorporation or registration/operation	Proportion of nominal value of issued capital held by the Company		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020 %	2019 %	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
SiS Mobile Holdings Limited	Hong Kong	52.3	52.3	5,167	(2,316)	53,727	48,859
Tokutei Mokuteki Kaisha SSG23 ("TMK SSG23")	Japan	70.0	70.0	(3,727)	6,358	65,574	70,208
SiS Distribution (Thailand) Public Co., Ltd.	Thailand	63.5	63.5	54,688	38,339	268,147	228,800
Individually immaterial subsidiaries with non-controlling interest				56	50	15,099	15,141
				<b>56,184</b>	<b>42,431</b>	<b>402,547</b>	<b>363,008</b>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 46. PRINCIPAL SUBSIDIARIES (CONTINUED)

### Details of non-wholly owned subsidiaries that has material non-controlling interests (Continued)

#### SiS Mobile

Summarised financial information in respect of SiS Mobile that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020 HK\$'000	2019 HK\$'000
Non-current assets	23,457	23,138
Current assets	141,931	115,271
Current liabilities	(56,401)	(40,686)
Non-current liabilities	(4,321)	(3,260)
	<u>104,666</u>	<u>94,463</u>
Equity attributable to owners of the Company	50,939	45,604
Non-controlling interests	53,727	48,859
	<u>104,666</u>	<u>94,463</u>
Revenue	1,166,222	439,774
Expenses	(1,155,392)	(444,777)
Profit (loss) for the year	<u>10,830</u>	<u>(5,003)</u>
Profit (loss) for the year attributable to:		
– owners of the Company	5,663	(2,687)
– non-controlling interests	5,167	(2,316)
Profit (loss) for the year	<u>10,830</u>	<u>(5,003)</u>
Total comprehensive income (expense) for the year attributable to:		
– owners of the Company	5,335	(3,102)
– non-controlling interests	4,868	(2,696)
Total comprehensive income (expense) for the year	<u>10,203</u>	<u>(5,798)</u>
Net cash from operating activities	30,306	23,020
Net cash used in investing activities	(434)	(5,003)
Net cash used in financing activities	(2,702)	(2,623)

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 46. PRINCIPAL SUBSIDIARIES (CONTINUED)

### Details of non-wholly owned subsidiaries that has material non-controlling interests (Continued)

#### TMK SSG 23

Summarised financial information in respect of TMK SSG 23 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020 HK\$'000	2019 HK\$'000
Non-current assets	459,612	479,720
Current assets	80,178	70,668
Current liabilities	(13,688)	(36,872)
Non-current liabilities	(311,267)	(274,236)
	<u>214,835</u>	<u>239,280</u>
Equity attributable to owners of the Company	149,261	169,072
Non-controlling interests	65,574	70,208
	<u>214,835</u>	<u>239,280</u>
Revenue	39,825	39,369
Expenses	(52,248)	(18,174)
(Loss) profit for the year	<u>(12,423)</u>	<u>21,195</u>
(Loss) profit for the year attributable to:		
– owners of the Company	(8,696)	14,837
– non-controlling interests	(3,727)	6,358
(Loss) profit for the year	<u>(12,423)</u>	<u>21,195</u>
Total comprehensive (expense) income for the year attributable to:		
– owners of the Company	(1,314)	16,366
– non-controlling interests	(563)	7,014
Total comprehensive (expense) income for the year	<u>(1,877)</u>	<u>23,380</u>
Dividends paid to non-controlling interests	4,071	4,160
Net cash from operating activities	10,466	14,704
Net cash used in investing activities	–	(1,485)
Net cash used in financing activities	(4,987)	(9,450)

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 46. PRINCIPAL SUBSIDIARIES (CONTINUED)

### Details of non-wholly owned subsidiaries that has material non-controlling interests (Continued)

#### SiS Distribution (Thailand) Public Company Limited

Summarised financial information in respect of SiS Distribution (Thailand) Public Company Limited that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020 HK\$'000	2019 HK\$'000
Non-current assets	196,560	197,078
Current assets	1,796,539	1,715,783
Current liabilities	(1,209,635)	(1,218,593)
Non-current liabilities	(53,107)	(70,547)
	<u>730,357</u>	<u>623,721</u>
Equity attributable to owners of the Company	462,210	394,921
Non-controlling interests	268,147	228,800
	<u>730,357</u>	<u>623,721</u>
Revenue	5,541,467	5,136,972
Other income	24,203	25,417
Expenses	(5,415,715)	(5,057,265)
Profit for the year	<u>149,955</u>	<u>105,124</u>
Profit for the year attributable to:		
– owners of the Company	95,267	66,785
– non-controlling interests	54,688	38,339
Profit for the year	<u>149,955</u>	<u>105,124</u>
Total comprehensive income for the year attributable to:		
– owners of the Company	98,764	88,173
– non-controlling interests	56,768	50,682
Total comprehensive income for the year	<u>155,532</u>	<u>138,855</u>
Dividends paid to non-controlling interests	<u>17,023</u>	<u>17,489</u>
Net cash from operating activities	192,251	(31,538)
Net cash used in investing activities	1,980	1,192
Net cash used in financing activities	<u>201,638</u>	<u>45,734</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 47. FINANCIAL POSITION OF THE COMPANY

Below is a summary of the financial position of the Company at the end of the reporting period:

	2020 HK\$'000	2019 HK\$'000
<b>Non-current Assets</b>		
Interest in subsidiaries	13,163	13,163
Amounts due from subsidiaries	1,723,332	1,525,868
Equity instruments at FVTPL	78,808	68,630
	<u>1,815,303</u>	<u>1,607,661</u>
<b>Current Assets</b>		
Bank balances and cash	16,538	20,514
Amounts due from subsidiaries	315,122	551,106
Equity instruments at FVTPL	240	389
Other assets	884	874
	<u>332,784</u>	<u>572,883</u>
<b>Current Liabilities</b>		
Payables and accruals	19,417	21,623
Bank borrowings	337,173	375,940
Amounts due to subsidiaries	619,941	615,776
	<u>976,531</u>	<u>1,013,339</u>
<b>Net Current Liabilities</b>	<u>(643,747)</u>	<u>(440,456)</u>
<b>Net Assets</b>	<u>1,171,556</u>	<u>1,167,205</u>
<b>Capital and Reserves</b>		
Share capital	27,797	27,797
Share premium	73,400	73,400
Other reserves ( <i>Note below</i> )	1,070,359	1,066,008
<b>Total Equity</b>	<u>1,171,556</u>	<u>1,167,205</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

## 47. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement in other reserves are presented below:

	<b>Share options reserve</b> HK\$'000	<b>Contributed surplus</b> HK\$'000	<b>Retained profits</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2019	3,695	29,186	1,062,136	1,095,017
Loss and total comprehensive expense for the year	—	—	(9,551)	(9,551)
Dividend recognised as distribution	—	—	(19,458)	(19,458)
	<u>3,695</u>	<u>29,186</u>	<u>1,033,127</u>	<u>1,066,008</u>
At 1 January 2020	3,695	29,186	1,033,127	1,066,008
Profit and total comprehensive income for the year	—	—	9,910	9,910
Dividend recognised as distribution	—	—	(5,559)	(5,559)
	<u>—</u>	<u>—</u>	<u>(5,559)</u>	<u>(5,559)</u>
At 31 December 2020	<u>3,695</u>	<u>29,186</u>	<u>1,037,478</u>	<u>1,070,359</u>

## Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements is set out below. The amounts for each year in 2016 to 2017 financial summary have not been adjusted for the effects of the adoption of the HKFRS 9 and 15 in the accounting policy.

The amounts for each year in 2016 to 2018 financial summary have not been adjusted for the effects of the adoption of the HKFRS 16.

### RESULTS

	For the year ended 31 December				
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	1,128,417	1,010,768	6,379,157	6,415,933	7,576,117
Profit (loss) before taxation	277,652	447,890	390,356	157,777	(297,943)
Income tax (expense) credit	(24,919)	(77,746)	(60,880)	(36,565)	44,092
Profit (loss) for the year	252,733	370,144	329,476	121,212	(253,851)
Attributable to:					
Owners of the Company	236,209	367,835	282,999	78,781	(310,035)
Non-controlling interests	16,524	2,309	46,477	42,431	56,184
	252,733	370,144	329,476	121,212	(253,851)

### ASSETS AND LIABILITIES

	At 31 December				
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Total assets	5,676,445	7,507,126	8,369,132	9,329,183	9,119,715
Total liabilities	(2,725,659)	(3,976,295)	(4,513,968)	(5,355,963)	(5,408,638)
Net assets	2,950,786	3,530,831	3,855,164	3,973,220	3,711,077
Attributable to:					
Owners of the Company	2,827,979	3,236,162	3,523,876	3,610,212	3,308,530
Non-controlling interests	122,807	294,669	331,288	363,008	402,547
	2,950,786	3,530,831	3,855,164	3,973,220	3,711,077

## Particulars of Investment Properties

AT 31 DECEMBER 2020

Name of property and location	Lease terms	Use
<b>Singapore</b>		
#11-07/23 Maxwell House 20 Maxwell Road Singapore	Long-term lease	Commercial
#01-08 23 Dalvey Estate Singapore	Freehold	Residential
#03-07 23 Dalvey Estate Singapore	Freehold	Residential
<b>Hong Kong</b>		
8th Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long-term lease	Commercial
8th Floor 9 Queen's Road Central Hong Kong	Long-term lease	Commercial
6 Carparking spaces and carport basement 9 Queen's Road Central Hong Kong	Long-term lease	Commercial
23rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
33rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
Unit 5, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office

## Particulars of Investment Properties

AT 31 DECEMBER 2020

<b>Name of property and location</b>	<b>Lease terms</b>	<b>Use</b>
Flat B, 7/F., Ming Kung Mansion Kam Din Terrence 22 Tai Koo Shing Road Hong Kong	Long-term lease	Residential
<b>Thailand</b>		
74 Soi Terdrachan 11, Terdrachan Road, Sikan Sub-district Dong Mnang District, Bangkok 10210	Freehold	Commercial
Sai Banchalung Road-Banamtoktonpli Saihadyai-Tarchamuang (T.L.4287) Tombon Chalung, Amphoe Hadyai Songkhla Province	Freehold	Land
<b>Japan</b>		
SiS Rinku Tower 1, Rinku Ourai Kita Izumisano City, Osaka Japan	Freehold	Commercial and hotel
Toyoko Inn Naha Asahi-bashi Ekimae 1-20, 2 chome, Kume Naha City, Okinawa Japan	Freehold	Hotel
Toyoko Inn Kanazawa Kenrokuen Korinbo 2-4-28, Korinbo Kanazawa City, Ishikawa Japan	Freehold	Hotel
Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No.1 1-1 Akashicho Hiratsuka City, Kanagawa Japan	Freehold and medium-term lease	Hotel
Toyoko Inn Niigata Furumachi 1168-2, 7-bancho, Kamiokawamaedori Chuo-ku Niigata City, Niigata, Japan	Freehold	Hotel

## Particulars of Investment Properties

AT 31 DECEMBER 2020

Name of property and location	Lease terms	Use
Toyoko Inn Tokushima Ekimae 1-5, Ryogokuhoncho Tokushima City, Tokushima Japan	Freehold	Hotel
Dormy Inn Premium Otaru 3-9-1, Inaho Otaru City, Hokkaido Japan	Freehold	Hotel
Hotel BRS Hakodate Goryokaku Tower Mae 35-3, Goryokaku-cho Hakodate City, Hokkaido Japan	Freehold	Hotel
11-10, 2-chome, Tsukiji Chuo-ku, Tokyo Japan	Freehold	Hotel
49-1, Nichome, Sanjo-dori Ohashi-higashi, Higashiyama-ku Kyoto City, Kyoto Japan	Freehold	Hotel
SK Kashiwa Building 14-1, Suehirocho Kashiwa City, Chiba Japan	Freehold	Commercial and hotel
Unwind Hotel & Bar Otaru 8-25, 1-chome, Ironai Otaru City, Hokkaido Japan	Freehold	Hotel
Piece Hostel Kyoto 21-1, Higashisannocho Higashikujo, Minami-ku Kyoto City, Kyoto Japan	Freehold	Hostel
Piece Hostel Sanjo West 531, Asakuracho, Tominokoji-dori Sanjo-Sagaru, Nakagyo-ku Kyoto City, Kyoto Japan	Freehold	Hostel

## Particulars of Investment Properties

AT 31 DECEMBER 2020

<b>Name of property and location</b>	<b>Lease terms</b>	<b>Use</b>
Best Western Sapporo-odorikoen 2-36, 8-chome, Odorinishi Chuo-ku Sapporo City, Hokkaido Japan	Freehold	Hotel
Unwind Hotel & Bar Sapporo 289-111, Nishi 5-chome Minami 8-jo, Chuoku Sapporo City, Hokkaido Japan	Freehold	Hotel
Piece Hostel Sanjo East 530 Asakuracho, Tominokoji-dori Sanjo-Sagaru, Nakagyo-ku Kyoto City, Kyoto, Japan	Freehold	Hostel
Hotel Radiant 3876, Kamikijima Kijimadaira Village Shimotakai City Nagano, Japan	Freehold	Hotel
1482-104, Shinwakawura Wakayama City Wakayama, Japan	Freehold	Hotel
<b>Properties held for hotel operation</b>		
Hotel Sun Plaza Sakai Annex 1-20, 1-cho, Ryujin bashi-cho Sakai-ku, Sakai City Osaka, Japan	Freehold	Hotel
Imano Tokyo Hostel 5-12-2, Shinjuku-ku Tokyo, Japan	Freehold	Hostel
Odysis Onna Resort Hotel 2620, Aza Nakawa, Onna Village Kunigami-gan, Okinawa, Japan	Freehold	Hotel