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Corporate Information

DIRECTORS

Executive Directors	Gan Wee Sean *(Chairman and Chief Executive Officer) (R)* Gan Fock Wai, Stephen *(R)* Gan Cheng Hooi, Gavin
Non-executive Director	Gan Fook Yin, Anita
Independent Non-executive Directors	Leung Man Chiu, Lawrence *(chairing A, chairing R and chairing N)* Wong Ying Kay, Ada *(A, R, N)* Ip Tin Chee, Arnold *(A, R, N)*
COMPANY SECRETARY	Lo Tai On
REGISTERED OFFICE	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	11th Floor, 200 Gloucester Road Wan Chai Hong Kong
AUDITOR	Mazars CPA Limited 42nd Floor, Central Plaza 18 Harbour Road, Wanchai Hong Kong
SOLICITOR	Woo, Kwan, Lee & Lo 26th Floor, Jardine House 1 Connaught Place, Central Hong Kong
PRINCIPAL SHARE REGISTRAR	Conyers Corporate Services (Bermuda) Limited Clarendon House, 2 Church Street Hamilton HM 11, Bermuda
HONG KONG SHARE REGISTRAR	Tricor Standard Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
STOCK CODE	239
HOME PAGE	www.pakfahyeow.com
EMAIL	pfy@pfy.com.hk
TELEPHONE	(852) 2881 7713

(A) *Audit Committee member*
(R) *Remuneration Committee member*
(N) *Nomination Committee member*

About Us

We are principally engaged in the manufacture, marketing and distribution of healthcare products using our brand "Hoe Hin". One of our Hoe Hin products has been well-known as Hoe Hin White Flower Embrocation or Hoe Hin Pak Fah Yeow, a renowned medicated oil, which has been manufactured for over 90 years and is available in Hong Kong, Macau, Mainland China, Southeast Asia and western countries. Our other Hoe Hin products include Hoe Hin Strain Relief, Hoe Hin White Flower Ointment and Fúzǎi 239 (floral-scented White Flower Embrocation). The quality management system of our manufacturing facilities (that is, Hoe Hin Pak Fah Yeow Manufactory Limited) is established in accordance with PIC/S (Pharmaceutical Inspection Convention/Pharmaceutical Inspection Co-operation Scheme) Guide to Good Manufacturing Practice for Medicinal Products. The facilities are GMP certified with certificates issued by Therapeutic Goods Administration, Australia and Chinese Medicine Council of Hong Kong. In addition, the said quality management system is ISO9001:2015 certified.

We are also principally engaged in property and treasury investments. We have property investments in the United Kingdom, Hong Kong and Singapore which were acquired a long time ago and intended to be held for long term to generate steady income.

HOE HIN BRAND AND PRODUCTS

"Being recognised in most of the markets as premium products amongst other brands, which reflect recognition of our brand as Using Top Quality Ingredients, Top Quality Management and Hong Kong-Made Production."

VISION

"To be the premier provider of top quality medicated products that are superior to other choices in the markets for all walks of life."

MISSION

"To deliver sustainable value to our stakeholders through responsible business based on core values that include quality excellence, integrity, nurturing and financial strength."

CORE VALUES

Values	Elements
H – Honesty	Integrity, Ethic, Conduct
O – Obedience	Accountability, Health and safety, Regulatory compliance
E – Excellence	Quality, Assurance, Financial strength, Sustainability
H – Human	People, Respect, Encouragement, Networking
I – Innovation	Continuous improvement, Marketing initiative
N – Nurturing	Equal opportunities, Environment, Humanity, Return to community

STRATEGIES

Healthcare

Short to Medium Term: "Expanding existing markets for our existing products while seeking opportunities to explore and develop new markets."

Long Term: "Extending our markets to mainstream channels and chains to cover local communities in overseas markets."

Property Investments

"Intended for long term to generate steady income and enable us to create cushion irrespective of uncertain economic conditions, while recognised as important to realise premium capital gain for maximising the return as and when considered appropriate."

Treasury Investments

"Making use of our surplus cash for low to medium-risk investments for better return as opposed to earning historic-low interest from bank deposits."

Highlights

- Revenue and Underlying Recurring Profit were down 26.0% and 26.5% respectively on a year-on-year basis.
- Reported Loss was recorded in 2020, mainly attributable to fair value losses on investment properties in Hong Kong and the United Kingdom.
- Though the continuing challenges will remain for a period of time, our financial strength provide a strong cushion for long term growth.

RESULTS SUMMARY

		Year ended 31 December		
		2020	2019	
	Notes	***HK$'000***	*HK$'000*	Change
Revenue	*1*	**109,343**	147,761	-26.0%
Reported (loss) profit	*2*	**(38,356)**	36,046	-206.4%
Underlying recurring profit	*3*	**26,134**	35,566	-26.5%
		HK cents	*HK cents*	
(Loss) Earnings per share:	*4*			
Reported (loss) profit		**(12.3)**	11.6	-206.0%
Underlying recurring profit		**8.4**	11.4	-26.3%
Total dividends per share	*4*	**6.4**	10.80	-40.7%
		At 31 December		
		2020	2019	
		HK$'000	*HK$'000*	
Shareholders' funds	*5*	**673,192**	760,117	-11.4%
		HK$	*HK$*	
Net asset value per share	*6*	**2.16**	2.44	-11.5%

Notes:

1. Revenue represents revenue derived from the three business segments, namely healthcare ("Healthcare"), property investments ("Property Investments") and treasury investments ("Treasury Investments").

2. Reported (loss) profit ("Reported (Loss) Profit") is the (loss) profit attributable to owners of the Company, which is prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

3. Underlying recurring profit ("Underlying Recurring Profit") reflects the Group's performance of the three business segments and is arrived at by excluding from Reported (Loss) Profit the unrealised fair value changes of financial assets at fair value through profit or loss and of investment properties.

4. The basic and diluted (loss) earnings per share and the total dividends per share are calculated using the weighted average number of ordinary shares in issue during the year.

5. Shareholders' funds are the equity attributable to owners of the Company, which is equivalent to the total equity as presented in the Company's consolidated statement of financial position.

6. Net asset value per share represents shareholders' funds divided by the number of ordinary shares of the Company in issue as at the year end date.

Chairman's Statement

Dear fellow shareholders,

OVERVIEW

2020 was a remarkably difficult year. The impact of COVID-19 affected all businesses across the world. People all over the world were forced to contend with a new normal: travel bans, mask rules, lockdowns and economic crises. We are no different from others and had encountered considerable disruptions.

Our total revenue for the year 2020 was HK$109.3 million, representing a year-on-year decrease of 26.0% from HK$147.8 million. Underlying Recurring Profit, the performance indicator of the Group, was down 26.5% to HK$26.1 million from HK$35.6 million in 2019. Such decreases were mainly attributable to weak performance of Healthcare business, particularly Hong Kong and Macau markets despite increased sales contribution from Mainland China, and decreased rental income.

Reported loss for 2020 was HK$38.4 million, down 206.4% year-on-year from a profit of HK$36.0 million, primarily due to unrealised fair value changes of our investment properties between two years.

DIVIDENDS

We propose a final dividend of HK3.8 cents (2019: HK3.8 cents) per share for the year ended 31 December 2020, subject to approval by shareholders at our forthcoming annual general meeting. These together with the interim dividends of HK2.6 cents (2019: HK7.0 cents) per share already declared, will make total dividends of HK6.4 cents (2019: HK10.8 cents) per share.

BUSINESS

Global economy experienced an extremely difficult year in 2020 as the COVID-19 pandemic dealt a severe blow to global and local economic activities. The impact was particularly significant against certain sectors such as retail, tourism and property, with which our businesses were correlated. Dramatic fall in visitor arrivals and drop in local consumption persisted throughout the year, which affected retail sector in Hong Kong and the United Kingdom. Trade tension between US and China further added on uncertainty over economy and business environment. Job and income conditions worsened and labour market deteriorated sharply in 2020, facing immense pressure during most of the year. Price inflation receded visibly in 2020 as price pressures on most goods and services eased amid austere global and local economic conditions.

Against this backdrop, sales contribution from Hong Kong and Macau markets declined remarkably due to significant drop in visitor arrivals into the cities following restrictive measures imposed. In Mainland China, we saw a dramatic improvement in sales performance as we combined our continued sales and marketing strategies with focus on brand building and above-the-line marketing. Despite pandemic disruptions across Southeast Asia, the overall sales only saw a slight decline, attributable to increased sales contribution from the Philippines market. On the other hand, the US market showed continued improvement year-on-year since the appointment of new distributor.

Our rental income decreased by 33.6% in 2020, largely attributable to rent concessions made and default in rental payment where business operations of our retail tenants were under significant pressure from various restrictions discouraging international travelers and office workers alike. The fair value assessment of our investment properties as at year-end 2020 resulted in a net unrealised fair value loss of HK$64.8 million as compared to HK$1.4 million in 2019. Such loss reflected uncertainty over the global impact of COVID-19.

Chairman's Statement

NON-FINANCIAL PERFORMANCE

Other than financial performance, environmental and social impacts are also important for our strategy for sustainability. Our 2020 Environmental, Social and Governance Report will be released in due course in the websites of The Stock Exchange of Hong Kong Limited and the Company to describe our various non-financial KPIs, providing stakeholders an overview of our progress towards sustainability.

OUTLOOK

After a year like no other, global and Hong Kong economic outlooks for 2021 are still clouded by geopolitical issues and COVID-19 pandemic which are far from clear as to the extent it would affect our business environment. The continuing challenges will remain for a period of time. While in short term this condition will pose significant temporary disruptions, our financial strength and low-gearing asset base provide a strong cushion for long-term growth and sustainability.

Going forward, with the recent kick-off of mass Covid-19 vaccination programme by the governments worldwide, we hope that business outlook will gradually improve as we expect tourism to resume again by the second half of the year. Sales turnover in major markets other than Hong Kong and Macau had been stable or even improved in 2020. In order to maintain the sales momentum for these markets, our strategies for 2021 will continuously focus on brand building in Mainland China and the Philippines markets by using above-the-line advertising as well as online digital platforms to extend market coverage. Below-the-line advertising and promotion activities will also be our execution plan for the Philippines market. For the US market, our focus will be on extending our coverage within different Asian communities as well as continuous advertising efforts using online platforms.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Some of our UK retail shop tenants were unable to trade profitably and went into administration or terminated on dissolution. These retail shops have been either renegotiated for a new lease or vacant, and would affect our rental income in short term. With the vaccination commenced in the UK in December 2020, it would appear we are moving out of lockdown and that by mid-June 2021, all premises should be open and able to trade.

Building on our strong foundation and proven track record experience, we remain confident of our capability to navigate current disruptions and move forward. Our aim is to sustain growth while continuing our investments in brand building and market presence as our long-term growth strategy.

Times continue to be difficult with the current travel bans and restrictive measures, but we will get through this.

APPRECIATION

Once again, I sincerely thank our board members, the management team and staff for their hard work, dedication and contribution during this difficult year, as well as our shareholders, customers, business partners and suppliers for their continued support.

GAN Wee Sean
Chairman

Hong Kong, 30 March 2021

Management Discussion and Analysis

RESULTS OVERVIEW

The Group's revenue was HK$109,343,000 in 2020, a decline of 26.0% from HK$147,761,000 in 2019 mainly attributable to decreased sales contributions from Healthcare segment and decreased rental income. Revenue of each business segment is as follows:

	2020	2019	**Change**
	HK$'000	*HK$'000*	*%*
Healthcare	**102,323**	136,611	-25.1
Property Investments	**6,737**	10,148	-33.6
Treasury Investments	**283**	1,002	-71.8
	109,343	147,761	-26.0

Underlying Recurring Profit, which excludes from Reported (Loss) Profit the unrealised fair value changes of financial assets and of investment properties, was HK$26,134,000, down 26.5% from HK$35,566,000 year-on-year. This mainly reflected weak performance of Healthcare segment (particularly Hong Kong and Macau markets) and of Property Investments segment (particularly in the United Kingdom). Earnings per share of Underlying Recurring Profit was HK8.4 cents, down 26.3% from HK11.4 cents in 2019.

Reported (Loss) Profit for 2020 down 206.4% to a loss of HK$38,356,000 (2019: profit of HK$36,046,000), primarily due to unrealised fair value losses on the Group's investment properties. Loss per share of Reported Loss was HK12.3 cents, down 206.0% from earnings per share of HK11.6 cents in 2019.

Below is the reconciliation between Underlying Recurring Profit and Reported (Loss) Profit:

	2020	2019	**Change**
	HK$'000	*HK$'000*	*%*
Underlying Recurring Profit	**26,134**	35,566	-26.5
Unrealised fair value changes of:			
Financial assets	**267**	1,872	
Investment properties:			
United Kingdom	**(36,647)**	1,648	
Others	**(28,110)**	(3,040)	
Reported (Loss) Profit	**(38,356)**	36,046	-206.4

The revaluation of other properties, which is accounted for as other comprehensive income, has resulted in a net revaluation deficit in 2020 of HK$31,741,000 (2019: HK$2,114,000).

Total comprehensive loss attributable to owners of the Company for 2020 was approximately HK$66,980,000 (2019: comprehensive income HK$37,072,000).

Management Discussion and Analysis

OPERATIONS REVIEW

Healthcare

2020 was faced with a difficult year for much of the world as Covid-19 ravaged daily life for the majority of people around the world and disrupted economic activities and challenged consumer sentiment.

Revenue from Healthcare segment decreased by 25.1% to HK$102,323,000 (2019: HK$136,611,000). Revenue of each geographical segment is as follows:

	2020	2019	**Change**
	HK$'000	*HK$'000*	*%*
Hong Kong	**29,139**	79,968	-63.6
Macau	**6,245**	16,642	-62.5
Mainland China	**37,812**	11,393	+231.9
Southeast Asia	**22,695**	22,861	-0.7
North America	**5,210**	4,749	+9.7
Others	**1,222**	998	+22.4
Segment revenue	**102,323**	136,611	-25.1
Segment profit	**41,403**	48,431	-14.5

Sales contribution from Hong Kong and Macau decreased by 63.6% and 62.5% respectively year-on-year in 2020 was due to the significant reduction of tourist arrivals into the cities and a highly unfavourable retail environment as a result of Covid-19 restrictive measures. With the recent mass Covid-19 vaccination programme commenced globally, business outlook is expected to gradually improve throughout 2021.

Sales turnover in Mainland China on the other hand was dramatically improved as there had been a change in marketing strategy since the fourth quarter of 2019, with a greater concentration on building brand awareness through above-the-line advertising using various media platforms, resulted in higher local sales in Guangdong province, particularly in cities such as Shenzhen and Guangzhou. The Group's effective online advertising also resulted in an increase in sales on ecommerce platforms across Mainland China. Furthermore, due to Covid-19 restrictive travel to Hong Kong, Mainland China consumers purchased more Pak Fah Yeow in China. In order to maintain this positive momentum, the Group's strategy is to continuously build brand awareness by concentrating on above-the-line advertising, including online platforms to further extend the coverage to more provinces beyond Guangdong province.

Despite the Covid-19 pandemic that caused city-wide lockdowns and government social distancing measures such as closure of non-essential shops and inter-city travel bans throughout South East Asia in countries such as Singapore, Malaysia, Indonesia and the Philippines etc., the overall sales turnover for much of this region had only been seen with a slight decrease from the preceding year. This is contributed by the continued efforts from various distributors. Increase in sales was even recorded in the Philippines though this is resulted more from a precautionary measure to ensure sufficient stock in all major retail accounts throughout the territory in case of disruption to logistics during nationwide lockdown. To maintain the sales momentum and to drive the sales through to the end consumers in 2021, a range of both above-the-line and below-the-line advertising and promotion activities including TV, radio, out of home, online and in-store promotions are planned and will be executed throughout the year.

The US market showed continued improvement year-on-year despite the challenging environment as the US distributor continued to push the sales through new retail channels and accounts, particularly in untapped market segments such as the Vietnamese communities, and also concentrated on building the brand presence on e-commerce platforms taking advantage of the higher consumer purchase behaviour through this channel. US sales through online platforms grew from under 5% of total US turnover to approximately 18.5% in 2020. Moving forward for 2021, as the pandemic begins to subside, the distributor will continue the momentum to strengthen the sales channel and drive sales into new retail accounts within different Asian communities as well as continue their advertising efforts through the online platforms such as Amazon, whilst Canada is set to begin putting more concentrated efforts into this platform as well.

Management Discussion and Analysis

Property Investments

Revenue for this segment decreased 33.6% to HK$6,737,000 (2019: HK$10,148,000). This change mainly represents decreased rental income derived in the United Kingdom as a result of rent concessions made and default in rental payment since the effects of COVID-19 became apparent in the second quarter of 2020. Revenue analysed by location is as follows:

	2020	2019	**Change**
	HK$'000	*HK$'000*	*%*
Hong Kong – office and residential	**3,484**	3,553	-1.9
Singapore – industrial	**224**	221	+1.4
United Kingdom – retail/residential	**3,029**	6,374	-52.5
Segment revenue	**6,737**	10,148	-33.6
Segment (loss) profit	**(59,492)**	7,583	-884.5

For the year 2020, segment revenue of about 51.7%, 3.3% and 45.0% (2019: 35.0%, 2.2% and 62.8%) were derived from investment properties in Hong Kong, Singapore and the United Kingdom respectively. Overall occupancy rate was 88.7% (2019: 100.0%) in 2020.

Underlying Recurring Segment Result was a profit of HK$5,265,000, down 41.3% from HK$8,975,000 in 2019. Property expenses ratio as a percentage of segment revenue increased to 21.8% in 2020 (2019: 11.6%). Both Underlying Recurring Segment Result and the property expenses ratio for 2020 reflected higher proportional property expenses due to low occupancy rate and lower rental income.

Segment result for 2020 decreased by 884.5% to a loss of HK$59,492,000 (2019: profit of HK$7,583,000), mainly reflecting unrealised fair value losses of HK$64,757,000 (2019: HK$1,392,000) being recognised for the Group's investment properties.

Below is the reconciliation between Underlying Recurring Segment Result and the segment result:

	2020	2019	**Change**
	HK$'000	*HK$'000*	*%*
Underlying Recurring Segment Result	**5,265**	8,975	-41.3
Unrealised fair value changes of investment properties:			
United Kingdom	**(36,647)**	1,648	
Hong Kong and Singapore	**(28,110)**	(3,040)	
Segment (loss) profit	**(59,492)**	7,583	-884.5

Treasury Investments

Other than placing deposits in renowned banks, the Group also invested in equity and debt securities, mutual funds and dual currency investments for higher yields.

Revenue (mainly interest income) derived from this segment decreased by 71.8% to HK$283,000 (2019: HK$1,002,000). Underlying Recurring Segment Result increased to a profit of HK$1,806,000 (2019: HK$1,171,000). Such increase reflected improved performance on foreign currency transactions during the year, partly offset by decreased interest income as lower bank deposits balance and lower interest rate.

The segment result decreased to a profit of HK$2,073,000 (2019: HK$3,043,000), mainly attributable to, amongst others as mentioned above, less unrealised fair value gains on listed investments.

Management Discussion and Analysis

Below is the reconciliation between Underlying Recurring Segment Result and the segment result:

	2020 *HK$'000*	2019 *HK$'000*	**Change** *%*
Underlying Recurring Segment Result	**1,806**	1,171	+54.2
Unrealised fair value changes of financial assets	**267**	1,872	
Segment profit	**2,073**	3,043	-31.9

FINANCIAL REVIEW

The results overview and operations review in preceding sections also cover financial review of the Group's three business segments. This section discusses other significant financial items.

Staff Costs

Staff costs are categorised into production (production-related payroll costs) and administration (other payroll costs, including management and head office staff), which increased by 2.7% from HK$33,692,000 to HK$34,593,000. This mainly reflected annual salary increment, partly offset by decreased provision for management bonus of executive directors.

Other Operating Expenses

Other operating expenses decreased by 54.5% to HK$14,930,000 (2019: HK$32,807,000) mainly attributable to overall decrease in sales and marketing expenses for the year due to the then market condition and overprovision of the same for previous years. Other operating expenses ratio as a percentage of total revenue decreased to 13.7% in 2020 (2019: 22.2%). This reflected costs control over sales and marketing activities during the COVID-19 pandemic.

Finance Costs

Finance costs decreased by 18.8% to HK$614,000 (2019: HK$756,000), mainly due to lower bank loan balances during the year after mortgage loans being fully repaid in Hong Kong and partly repaid in the United Kingdom. Interest coverage ratio (profit from operations before interest and taxes and before unrealised fair value changes of financial assets and of investment properties divided by finance costs) decreased to 50.9 times in 2020 (2019: 58.9 times). Such decrease reflected a weak financial performance in 2020.

Taxation

Decrease in taxation from HK$8,216,000 to HK$4,495,000 was principally due to decrease in taxable operating profit of subsidiaries in Hong Kong and the United Kingdom. The effect was partly offset by underprovision of taxation in Hong Kong for previous years and deferred tax asset recognised for deductible temporary difference of long service payment.

Investment Properties

The Group's investment properties were valued at 31 December 2020 by independent professional valuers on a fair value basis. The valuation as at year-end 2020 was HK$285,123,000, a decrease of 17.7% from HK$346,432,000 as at year-end 2019. Such decrease reflected an increasing market risk of retail sector in the United Kingdom and a weakened office and residential sectors in Hong Kong due to global impact of COVID-19. The valuation of properties in each geographical segment as at the year-end date is as follows.

	2020		2019		
	Original currency '000	***HK$'000***	*Original currency '000*	*HK$'000*	**Change in HK$** *%*
Hong Kong – office and residential	**HK$149,000**	**149,000**	HK$177,300	177,300	-16.0
Singapore – industrial	**S$1,950**	**11,427**	S$1,950	11,236	+1.7
United Kingdom – retail/residential	**GBP11,800**	**124,696**	GBP15,480	157,896	-21.0
		285,123		346,432	-17.7

Unrealised fair value loss on investment properties of HK$64,757,000 (2019: HK$1,392,000) was recognised for 2020.

Management Discussion and Analysis

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group continued to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders' funds) as at 31 December 2020 was 2.7% (2019: 2.6%). Total bank borrowings of the Group amounted to HK$17,859,000 (2019: HK$19,492,000), mainly denominated in Pound Sterling with floating interest rates.

Current ratio (current assets divided by current liabilities) was 5.8 times as at 31 December 2020 (2019: 3.3 times). The Group holds sufficient cash, marketable securities on hand and available banking facilities to meet its short-term liabilities, commitments and working capital demand.

EXCHANGE RATE EXPOSURES

Most of the Group's business transactions were conducted in Hong Kong Dollars and United States Dollars. Certain rental income is derived in the United Kingdom and denominated in Pound Sterling. As at 31 December 2020, the Group's debt borrowings were mainly denominated in Pound Sterling. The Group also had equity and debt securities denominated in foreign currencies.

The Group considers there is no significant exposure to foreign exchange fluctuations for United States Dollars as long as the Hong Kong-United States dollar exchange rate remains pegged. Other than United States Dollars whose exchange rate with Hong Kong Dollars remained relatively stable during the year, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 31 December 2020 were approximately HK$39.0 million (2019: HK$42.0 million) in total, or about 4.9% (2019: 4.6%) of the Group's total assets. The Group was also exposed to foreign exchange rate changes (net of the underlying debt borrowings) of approximately HK$107.1 million (2019: HK$139.1 million) relating to carrying amount of the properties investments in the United Kingdom.

PLEDGE OF ASSETS

As at 31 December 2020, certain of the Group's leasehold land and buildings and investment properties with an aggregate carrying value of approximately HK$124.7 million (2019: HK$324.9 million) were pledged to secure banking facilities granted to the Group to the extent of approximately HK$92.4 million (2019: HK$93.3 million), of which approximately HK$17.9 million (2019: HK$19.5 million) were utilised as at 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, no legal proceedings were initiated by any third parties against the Group as defendant, nor were there any outstanding claims which may result in significant financial losses to the Group.

PLAN FOR SIGNIFICANT INVESTMENT OR ACQUISITION OF CAPITAL ASSETS IN THE FUTURE

The Group has no plan for significant investment or acquisition of material capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 92 (2019: 90) employees. Remuneration packages of employees and directors are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits including medical allowance and educational subsidies to eligible employees.

Board of Directors and Senior Management

Executive Directors

Mr. GAN Wee Sean, aged 74, is the Chairman of the board, the Chief Executive Officer, an executive director of the Company and a member of the remuneration committee of the Company. He has been actively involved in the management of the Group since 1971. He was appointed as an executive director of the Company on 8 October 1991 and acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011. He is also a director in a number of subsidiaries of the Company. He attended North Western Polytechnic, London, England where he majored in business administration and marketing. He is a Fellow of the Institute of Chartered Secretaries and Administrators and Fellow of the Chartered Institute of Marketing. From 1981 to 1986, and from 1987 to 1990, he held the position of vice-chairman and chairman respectively of Chung Sing Benevolent Society. He was chairman of the Malaysian Association in Hong Kong from 1987 to 1989, and was a founder member of the Institute of Marketing in Hong Kong. He is also Command President HKIC of the St. John's Ambulance Brigade Island Command Hong Kong and Exco Member of Malaysia Chamber of Commerce Hong Kong and Macau. He is the eldest grandson of the founder, Mr. Gan Geok Eng and the father of Mr. Gan Cheng Hooi, Gavin, an executive director of the Company and the Sales and Marketing Director (Regions other than Greater China) of a subsidiary of the Company. Mr. Gan Fock Wai, Stephen, executive director of the Company and Ms. Gan Fook Yin, Anita, non-executive director of the Company, are respectively the son and daughter of the founder, Mr. Gan Geok Eng. He is a director and shareholder of Hexagan Enterprises Limited, a substantial shareholder of the Company.

Mr. GAN Fock Wai, Stephen, aged 59, is an executive director of the Company and is a member of the remuneration committee of the Company. He was the Chief Executive Officer until 21 April 2008. He is also a director in a number of subsidiaries of the Company. He possessed an honorary bachelor degree in food process engineering from Loughborough University of Technology in England. He has been actively involved in the management of the Group since 1986. He is a son of the founder, Mr. Gan Geok Eng. Mr. Gan Wee Sean, Chairman of the Company, is the grandson of the founder. Mr. Gan Cheng Hooi, Gavin, executive director of the Company is a son of Mr. Gan Wee Sean. Ms. Gan Fook Yin, Anita, non-executive director of the Company, is a sister of Mr. Gan Fock Wai, Stephen. In 2001, he was awarded one of the "2001 Youth Industrial Awards of Hong Kong" by the Federation of Hong Kong Industries. He was also a committee member (Practitioners Board) of the Chinese Medicine Council of Hong Kong from 1999 to 2005. He is a director and shareholder of Gan's Enterprises Limited, a substantial shareholder of the Company.

Mr. GAN Cheng Hooi, Gavin, aged 40, was appointed as an executive director of the Company on 23 September 2015. He joined Hoe Hin Pak Fah Yeow Manufactory, Limited ("HHPFY"), a wholly-owned subsidiary of the Company, in October 2007 and is now the Sales and Marketing Director (Regions other than Greater China) of HHPFY. Prior to joining HHPFY, he worked in different industries including market research, information technology and management consultancy. He obtained a bachelor degree in management from Royal Holloway University of London. He is a son of Mr. Gan Wee Sean, who is the Chairman, the Chief Executive Officer, an executive director and a substantial shareholder of the Company and the eldest grandson of the founder, Mr. Gan Geok Eng. Mr. Gan Fock Wai, Stephen, executive director of the Company and Ms. Gan Fook Yin, Anita, non-executive director of the Company, are respectively the son and daughter of the founder, Mr. Gan Geok Eng.

Non-executive Director

Ms. GAN Fook Yin, Anita, aged 52, was appointed as a non-executive director of the Company on 23 September 2015. She joined Rena Creative Products Ltd. ("RENA") since 1999 and is now the chief executive officer of RENA. Prior to joining RENA, she served as chairman of Chancy Company Ltd. Now she also serves as an executive director of Rena Creative Services Ltd.. She has leadership and extensive managerial experience in financial, strategic, capital allocation and human resources. She obtained a bachelor degree in mathematics and management from King's College, University of London. She is a daughter of the founder, Mr. Gan Geok Eng and a sister of Mr. Gan Fock Wai, Stephen, who is an executive director and a substantial shareholder of the Company. Mr. Gan Wee Sean, Chairman of the Company, is a grandson of the founder. Mr. Gan Cheng Hooi, Gavin, executive director of the Company, is a son of Mr. Gan Wee Sean.

Board of Directors and Senior Management

Independent Non-executive Directors

Mr. LEUNG Man Chiu, Lawrence, aged 72, was appointed as an independent non-executive director of the Company in July 2006 and is the chairman of the audit committee, remuneration committee and nomination committee of the Company. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated in 1969 from the Hong Kong Technical College (now known as the Hong Kong Polytechnic University) with a diploma in accountancy and qualified himself as a certified public accountant in 1972. Mr. Leung is a practising certified public accountant and has been in public practice for over 45 years. He has extensive experience in accounting and auditing and served in listing and auditing projects for a number of Hong Kong publicly listed companies. He is now practising as a partner in Tang and Fok. Mr. Leung was a non-executive director of World Super Limited and is an independent non-executive director of Safety Godown Company, Limited and PFC Device Inc., companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. WONG Ying Kay, Ada, aged 61, has been appointed as an independent non-executive director of the Company since September 2004 and is a member of the audit committee, remuneration committee and nomination committee of the Company. She is a practicing solicitor and China-Appointed Attesting Officer. She is also an independent non-executive director of Hengan International Group Company Limited, a company listed on the Stock Exchange. She is a member of Museum Advisory Committee. She is also a member of Art Sub-Committee, Museum Advisory Committee. She was an advisor of Our Hong Kong Foundation Limited.

Mr. IP Tin Chee, Arnold, aged 58, has been appointed as an independent non-executive director of the Company since September 2004 and is a member of the audit committee, remuneration committee and nomination committee of the Company. He is a graduate of Trinity College, Cambridge University, and qualified as a chartered accountant in 1988. Between 1989 and March 1997, he worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Limited thereafter until January 2001, specialising in a range of corporate finance and advisory activities for companies based in Hong Kong and China. He is an executive director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong and in advising on private equity and property investments in Asia. Mr. Ip's work focuses on fund raising for listed and unlisted companies, and management of real estate investment funds. He is the chairman of the management company which acts as manager of Saizen REIT, a real estate investment trust listed on the Singapore Stock Exchange. He is also an independent non- executive director of Pioneer Global Group Limited and Sam Woo Construction Group Limited and Icicle Group Holdings Limited and the chairman and executive director of Altus Holdings Limited, companies listed on the Stock Exchange.

Senior Management

Mr. TSANG Hung Kei, aged 50, is the Chief Financial Officer of the Group responsible for the overall financial management and control and corporate governance. He is also an executive director of major subsidiaries of the Company. Mr. Tsang is a Fellow of the Association of Chartered Certified Accountants, a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales. Prior to joining the Group in May 2005, he worked for an international accounting firm for 8 years and was the group financial controller of a listed company in Hong Kong thereafter until April 2005. He holds a bachelor degree in computer science and accounting at the University of Manchester, United Kingdom.

Ms. YAU Lai Ching, Vicky, aged 56, is an executive director and the Chief Operating Officer of HHPFY responsible for the overall management of operation. She has been with HHPFY since 1992. Prior to joining HHPFY, she worked for tourism board for 3 years. She possessed a Professional Diploma in Marketing from the Hong Kong Polytechnic (presently known as Hong Kong Polytechnic University).

Corporate Governance Report

The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders, and continues to review and reinforce our corporate governance practice.

The Company adopted all the code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the CG Code during the year ended 31 December 2020 except for the following deviation:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Gan Wee Sean, the Chairman of the board, was appointed as the acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011. Although these two roles are performed by the same individual, certain responsibilities have been shared with the executive directors to balance the power and authority. In addition, all major decisions have been made in consultation with members of the board as well as senior management. The board has one non-executive director and has also three independent non-executive directors ("INED(s)") who offer different independent perspectives. Therefore, the board is of the view that there are adequate balance of power and safeguards in place. The board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

THE BOARD

Composition

The board consists of three executive directors, one non-executive director and three INEDs who have professional qualification, experience and expertise in accounting, finance or legal field. The names and biographical details of each director are disclosed on pages 12 and 13 of this annual report.

The directors have given sufficient time and attention to the Group's affairs. The directors have disclosed to the Company annually the number and the nature of offices held in public companies or organisations and other significant commitments. The board believes that the balance between executive directors, non-executive director and INEDs is reasonable and adequate to provide sufficient balances that protect the interests of the shareholders and the Group.

Each INED has, pursuant to Rule 3.13 of the Listing Rules, confirmed that he/she is independent of the Company and the Company also considers that they are independent. The term of office of each INED is for a term of two years until 30 September 2022 subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the bye-laws of the Company. Save as disclosed in the biographical details of each director, there is no other relationship (including financial, business, family or other material/relevant relationship) amongst members of the board.

Role of the Board

The board is responsible both for how the Company is managed and the Company's direction. Approval of the board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy and payment, appointment and retirement of directors, remuneration policy and other major operational and financial matters. Day-to-day operations of the Group are taken up by the Company's management currently comprising the three executive directors and senior executives.

The board has established schedule of matters specifically reserved to the board for its decision and those reserved for the management. The board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

Corporate Governance Report

Corporate Governance Functions

The board is responsible for performing the corporate governance duties as set out below:

1. develop and review the Company's policies and practices on corporate governance and make recommendations;

2. review and monitor the training and continuous professional development of directors and senior management;

3. review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

The board had performed above duties during 2020.

Directors' Training

Based on the training records provided to the Company by the directors, the directors have participated in the following training during 2020:

Directors	**Type of trainings**
Executive Directors	
Gan Wee Sean	A, B
Gan Fock Wai, Stephen	A, B
Gan Cheng Hooi, Gavin	A, B
Non-executive Director	
Gan Fook Yin, Anita	A, B
Independent Non-Executive Directors	
Leung Man Chiu, Lawrence	A, B
Wong Ying Kay, Ada	A, B
Ip Tin Chee, Arnold	A, B

A: attending seminars and/or conferences and/or forums

B: reading information, newspapers, journals and materials relating to the responsibilities of directors, economy, fiscal, financial, investments and business of the Company

Emoluments of Directors and Senior Management

Particulars regarding directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 7 and 8 to the consolidated financial statements, respectively.

The emoluments of the members of the senior management by band for the year ended 31 December 2020 is set out below:

Emoluments bands	**Number of persons**
HK$Nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	2

Corporate Governance Report

The board held four regular board meetings at approximately quarterly intervals during 2020. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the CG Code. Details of individual attendance of directors are set out in the table below:

Attendance of individual Directors at Board Meetings in 2020	
Number of meeting:	4
Executive Directors	
Gan Wee Sean *(Chairman and Chief Executive Officer)*	4
Gan Fock Wai, Stephen	4
Gan Cheng Hooi, Gavin	4
Non-executive Director	
Gan Fook Yin, Anita	4
INEDs	
Leung Man Chiu, Lawrence	4
Wong Ying Kay, Ada	4
Ip Tin Chee, Arnold	4

The board has established written procedures to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

Chairman and Chief Executive Officer

The role of the Chairman should be separated from that of the Chief Executive Officer. Such division of responsibilities allows a balance of power between the board and the management of the Group, and ensures their independence and accountability.

The Chairman is the leader of the board and he oversees the board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each board meeting taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer, assisted by other executive directors and senior executives, is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the board for all operations of the Group. He ensures smooth operations and development of the Group and maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

Mr. Gan Wee Sean is the Chairman of the board. He was appointed as the acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011.

Corporate Governance Report

BOARD COMMITTEES

To strengthen the functions of the board and to enhance its expertise, there are three board committees namely, the audit committee, remuneration committee and nomination committee formed under the board, with specific written terms of reference which deal clearly with committee's authority and duties.

Audit Committee

The audit committee comprises three INEDs.

The role and function of the audit committee include:

- to serve as a focal point for communication between other directors and the auditor in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the board may determine from time to time;
- to assist the board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal control systems of the Group and the adequacy of the audits;
- to review the appointment of auditor on an annual basis, including the review of the audit scope and approval of the audit fees;
- to review the annual and interim financial statements prior to their approval by the board, and recommend the application of accounting policies and changes to the financial reporting requirements; and
- to ensure continuing auditor objectivity and to safeguard independence of the Company's auditor.

Set out below is the summary of work done of the audit committee in 2020:

- considered and approved the 2020 audit fees and audit plan;
- reviewed the auditor's report to the audit committee and the letters of representation;
- reviewed the consolidated financial statements for the year ended 31 December 2019 and for the six months ended 30 June 2020;
- considered and approved the scope of internal audit for the year 2020 and reviewed the findings and recommendations thereof; and
- reviewed the arrangement (including investigation and follow-up action) that employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters through the whistle-blowing policy adopted by the Company.

The audit committee held three meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at audit committee meetings in 2020	
Number of meeting:	3
INEDs	
Leung Man Chiu, Lawrence *(Chairman)*	3
Wong Ying Kay, Ada	3
Ip Tin Chee, Arnold	3

Corporate Governance Report

Remuneration Committee

The board has established a remuneration committee, currently comprising three INEDs and two executive directors, Mr. Gan Wee Sean and Mr. Gan Fock Wai, Stephen. The role and function of the remuneration committee include formulation of the remuneration policy, review and recommending to the board the annual remuneration policy, and recommendation of the remuneration of the directors and senior management. No director or any of his/her associate was involved in deciding his/her own remuneration.

Set out below is the summary of work of the Remuneration Committee done in 2020:

– reviewed and made recommendations to the board on the remuneration packages of individual executive directors, non-executive director, the INEDs and senior management; and

– reviewed the bonus and annual allowances to executive directors.

The remuneration committee held two meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at remuneration committee meeting in 2020	
Number of meeting:	2
Executive Directors	
Gan Wee Sean	2
Gan Fock Wai, Stephen	2
INEDs	
Leung Man Chiu, Lawrence *(Chairman)*	2
Wong Ying Kay, Ada	2
Ip Tin Chee, Arnold	2

Nomination Committee

The board has established a nomination committee, comprising three INEDs. The role and function of the nomination committee include making recommendations to the board on appointment of directors regarding the qualification and competency of the candidates, so as to ensure that all nominations are fair and transparent.

There was no change in the directorship during 2020. Set out below is the summary of work of the nomination committee done in 2020:

– reviewed the structure, size and composition of the board;

– assessed the independence of independent non-executive directors;

– recommendations on the directors subject to retirement by rotation under the bye-laws at the 2021 annual general meeting; and

– reviewed the board diversity policy and matters relating thereto.

Corporate Governance Report

The nomination committee held one meeting during 2020. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at nomination committee meeting in 2020	
Number of meeting:	1
INEDs	
Leung Man Chiu, Lawrence *(Chairman)*	1
Wong Ying Kay, Ada	1
Ip Tin Chee, Arnold	1

Board Diversity Policy

The Company has formulated and adopted a board diversity policy aiming at setting out the approach on diversity of the board.

The board recognises the importance of having a diverse board in enhancing the board effectiveness and corporate governance. A diverse board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities of directors of the Company and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the board and when possible should be balanced appropriately.

The nomination committee of the Company has responsibility for identifying and nominating candidates for appointment to the board and for approval by the board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the board and assessing the extent to which the required skills are represented on the board and overseeing the board succession. It is also responsible for reviewing and reporting to the board in relation to board diversity.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board. Selection of candidates to join the board will be, in part, dependent on the pool of candidates with the necessary knowledge, experience, skills, educational background and other qualities. The final decision will be based on merit and contribution the chosen candidates will bring to the board.

There was no change in directorship during the year under review. At present, the nomination committee has not set any measurable objectives to implement the board diversity policy. However, it will consider and review the board diversity policy and setting of any measurable objectives from time to time.

Nomination Policy

The Company has also adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedure of appointing and re-appointing a director. The selection criteria used in assessing the suitability of a candidate include, inter alia, such candidate's academic background and professional qualifications, relevant experience in the industry, character and integrity etc. The procedures of appointing and re-appointing a director are summarised as follows:

1. The nomination committee reviews the structure, size and composition (including the skills, knowledge and experience) of the board periodically and make recommendation on any proposed changes to the board to complement the Company's corporate strategy;

2. When it is necessary to fill a casual vacancy or appoint an additional director, the nomination committee identifies or selects candidates as recommended to the committee, with or without assistance from external agencies or the Company, pursuant to the criteria set out in the Nomination Policy;

3. If the process yields one or more desirable candidates, the nomination committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

4. The nomination committee makes recommendations to the board including the terms and conditions of the appointment;

Corporate Governance Report

5. The board deliberates and decides on the appointment based upon the recommendation of the nomination committee;

6. In accordance with the Company's bye-laws, every director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election at each annual general meeting;

7. The nomination committee shall review the overall contribution and service to the Company of the retiring director. The nomination committee shall also review the expertise and professional qualifications of the retiring director, who offered himself/herself for re-election at the annual general meeting, to determine whether such director continues to meet the criteria as set out in the Nomination Policy;

8. Based on the review made by nomination committee, the board shall make recommendations to shareholders on candidates standing for re-election at the annual general meeting of the Company, and provide the available biographical information of the retiring director in accordance with the Listing Rules to enable shareholders to make the informed decision on the re-election of such candidates at annual general meeting of the Company; and

9. The shareholders of the Company may propose a person for election as a director in accordance with the bye-laws of the Company and applicable laws.

Dividend Policy

The Company has adopted a dividend policy and revised it in 2020 (the "Dividend Policy"). Declaration and recommendation of payment of dividends of the Company is subject to the approval of the directors of the Company, depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the directors of the Company may consider relevant from time to time. Any future declaration, recommendation and payment of dividends of the Company may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the directors of the Company. The Company does not have any predetermined dividend payout ratio.

The Company has had a consistent dividend payment that balances the objective of appropriately rewarding shareholders through dividends and to support the future growth. Dividends will generally be declared two times a year at approximately half-yearly intervals. In years of exceptional gains or other events, a special dividend may be declared.

The board will review the Dividend Policy, as appropriate, to ensure its effectiveness. The audit committee will discuss any revisions that may be required, and recommend any such revisions to the board for consideration and approval.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding director's securities transactions. Having made specific enquiry of all the directors, the directors have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2020.

The Company has also established written guidelines regarding securities transactions on no less exacting terms of the Model Code for senior management and specific individuals who may have access to price sensitive information in relation to the securities of the Company.

COMPANY SECRETARY

The Company has engaged and appointed Mr. Lo Tai On, a representative from an external secretarial services provider as the company secretary of the Company. The primary contact person with the company secretary of the Company is the Chief Financial Officer of the Company. Mr. Lo has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

During the year under review, in order to allow for ease of communication for the Company, shareholders and the board; reflect certain amendments to the Listing Rules and the applicable laws of Bermuda; and to make other consequential and housekeeping changes, the Company adopted new bye-laws of the Company at the annual general meeting of the Company held on 30 June 2020 with effect from 30 June 2020, to replace the existing bye-laws of the Company. Save for mentioned above, there were no other changes in the constitutional documents of the Company. The new bye-laws of the Company has been published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company on 30 June 2020.

AUDITOR'S REMUNERATION

The fees payable to the Company's auditor, Mazars CPA Limited in respect of annual audit, interim review and taxation services for the year ended 31 December 2020 amounted to HK$382,000, HK$68,000 and HK$36,000 respectively.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the consolidated financial statements. The finance department of the Company is taken charge by the Chief Financial Officer of the Company. With the assistance of the finance department, the directors ensure that the consolidated financial statements of the Group have been properly prepared in accordance with relevant regulations and applicable accounting principles. The statement of the auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 31 to 34.

RISK MANAGEMENT AND INTERNAL CONTROLS

Group Risk Management

The board has overall responsibilities for maintaining a sound and effective risk management and internal control systems of the Group. The audit committee assisted the board to fulfill its responsibility. The board recognises that risk taking is unavoidable as part of the Group's business. By appropriate risk management and continuous risk monitoring, risk taking can bring value to the Group. The board believes that risks are acceptable after prudent assessment of their impact and likelihood. The Company can protect its assets and shareholders' interests and create value simultaneously through appropriate risks management and control measures. The systems include a defined management structure with limits of authority, safeguards its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or errors and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

Risk Assessment Approach and Risk Identification

The board has the oversight responsibility for evaluating and determining the nature and extent of the risks facing the Group and reviewing and monitoring the Group's approach to addressing these risks at least annually. In addition, the board oversees management in the design, implementation and monitoring of the risk management and internal control systems.

A risk management program was carried out during the year to ensure all material risks to which the Group was exposed were properly identified, assessed, managed, monitored and reported to the audit committee and the board. Risks identification was based on enquiries with senior management from different departments. Risks were preliminary identified by senior management from the risk universe which was a collection of risks built on environmental analysis and external benchmarking that could impact the Group at the entity or specific business process level. The risk universe covered both internal and external risks in four major areas, namely strategic risks, operational risks, financial risks and legal and compliance risks. Key risk factors were then identified by integrating the results of the enquiries.

Risk Evaluation and Risk Prioritisation

Risk evaluation was the second step to assess the relative impact and likelihood of the identified key risk factors. These identified key risk factors were further assessed by a scale rating process by the senior management to evaluate their impact and likelihood. The scale rating process was further supported by face-to-face or phone interview with the senior management to assess the rationales of these identified key risk factors behind.

Corporate Governance Report

Risk prioritisation is a mapping exercise. A risk map was used to prioritise the identified key risk factors according to their impact and likelihood.

Risk Reporting, Managing and Monitoring

Risk reporting and risk monitoring are essential and integral parts of risk management. A risk assessment report was submitted to the audit committee and the board. The risk assessment report was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels. The Company has performed ongoing assessment to update the entity-level risk factors and report to the board on a regular basis.

Handling and Dissemination of Inside Information

The Group is committed to a consistent practice of time, accurate and sufficiently detailed disclosure of material information and has adopted a policy on disclosure of inside information of the Group.

The handling and dissemination of inside information of the Group is strictly controlled and remains confidential including but not limited by the following ways:

1. Restrict access to inside information to a limited number of employees on a need-to-know basis;

2. Reminder to employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;

3. Ensure appropriate confidentiality agreements are in place when the Group enters into significant negotiations or dealings with third parties;

4. Inside information is handled and communicated by designated persons to independent third party; and

5. The board and the senior management review the safety measures regularly to ensure inside information is properly handled and disseminated.

Internal Audit Function

A professional firm was also appointed as the Group's outsourced internal audit function (the "IA Function") to assist the board in conducting a review of certain key parts of the internal control systems of the Group. Based on the risk assessment results, the IA Function recommended a three-year internal audit plan to the management and endorsed by the board and audit committee. The scope of the internal audit review carried out during the year includes: a) Scoping and planning audit areas as agreed with the audit committee and the board; b) Review of the design of internal control structure by identifying the key controls in place and determining significant gaps within the design of the controls; c) Testing of the key controls; and d) Reporting and making recommendations to the audit committee on the major design weakness in order to enhance the internal control of operation procedures, systems and controls.

The board also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board's Confirmation on Risk Management and Internal Control

Based on the risk management mechanism and internal audit review activities mentioned in the aforesaid paragraphs, the board was of the opinion that the Company and the Group had maintained an effective risk management mechanism and internal control system during the financial year ended 31 December 2020.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATION

The board recognises the importance of good communication with the shareholders. Information in relation to the Group is disseminated to the shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars of the Company.

The general meetings of the Company are valuable forum for the board to communicate directly with the shareholders. The shareholders are encouraged to attend the general meetings of the Company.

Corporate Governance Report

An annual general meeting of the Company was held on 30 June 2020 (the "2020 AGM"). A notice convening the 2020 AGM contained in the circular dated 29 April 2020 was despatched to the shareholders together with the 2019 annual report. The executive directors Mr. Gan Wee Sean, Mr. Gan Fock Wai, Stephen and Mr. Gan Cheng Hooi, Gavin, the non-executive director Ms. Gan Fook Yin, Anita and the Chairman of the committees of the board Mr. Leung Man Chiu, Lawrence and the other INEDs, Mr. Ip Tin Chee, Arnold and Ms. Wong Ying Kay, Ada attended the 2020 AGM to answer the questions from the shareholders. The Chairman of the meeting explained detailed procedures for conducting a poll. All the resolutions proposed at the 2020 AGM were passed separately by the shareholders by way of poll. The results of the poll were published on the websites of the Stock Exchange and the Company on 30 June 2020. No other general meeting was held during 2020.

The forthcoming annual general meeting of the Company will be held on 11 June 2021 (the "2021 AGM"). A notice convening 2021 AGM will be published on the websites of the Stock Exchange and the Company and despatched together with the 2020 annual report to the shareholders as soon as practicable in accordance with the bye-laws and the CG Code.

The Company is committed to enhancing communications and relationships with its investors. Designated senior management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.pakfahyeow.com, where updates on the Company's business developments and operations, financial information and news can be found.

Shareholders may at any time send their enquiries and concerns to the board in writing as follows:

Address: 11th Floor, 200 Gloucester Road, Wan Chai, Hong Kong
Email: pfy@pfy.com.hk

SHAREHOLDERS' RIGHTS

Shareholders are entitled to requisition a special general meeting and put forward proposals at general meetings. The procedures are as follows:

(a) Procedures for requisitioning a special general meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the board or the Company Secretary signed and deposited in accordance with the bye-laws of the Company, Bermuda Companies Act 1981, require the directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals at general meetings

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 shareholders may, at their expense, provide a written request to the attention of the Company Secretary signed and deposited in accordance with the Bermuda Companies Act 1981.

The procedures for the shareholders to propose a person for election as a director at a general meeting is available for viewing at the Company's website at www.pakfahyeow.com.

The above procedures are subject to the bye-laws of the Company and applicable legislation and regulation from time to time.

Besides, the updated memorandum of association and bye-laws of the Company has been posted on the website of the Company at www.pakfahyeow.com and the designated website of the Stock Exchange at www.hkexnews.hk.

Directors' Report

The directors have pleasure in submitting their report and audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 34(a) to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income on pages 35 and 36.

An interim dividends (as set out in note 10 to the consolidated financial statements) amounting to HK2.6 cents per share was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK3.8 cents per share, amounting to total dividends for the year of HK6.4 cents per share, to the shareholders of the Company whose names appear on the register of members on 9 July 2021.

Subject to approval of the proposed final dividend by the shareholders at the forthcoming annual general meeting of the Company to be held on 11 June 2021, the final dividend will be dispatched to the shareholders of the Company on or about 13 August 2021.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8 June 2021 to Friday, 11 June 2021, both days inclusive, during which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 7 June 2021.

The register of members of the Company will also be closed from Wednesday, 7 July 2021 to Friday, 9 July 2021, both days inclusive, during which no transfer of shares will be effected. To rank for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 6 July 2021.

DONATIONS

During the year, the Group made charitable donations amounting to HK$175,000. Other than the charitable donations made by the Group, the Group also made product donation of over 51,000 pieces during the year.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement and Management Discussion and Analysis sections on pages 5 to 11 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 30 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2020 are provided in note 33 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis section on pages 7 to 11 of this annual report. In addition, discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out below.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Sustainability has rising importance in businesses, bringing along risks and opportunities in the economic, social and environmental aspects. Environmental performance has become a more common factor for investors to consider upon valuations and investments strategies, while environmental consciousness has risen upon consumption decisions of stakeholders.

Directors' Report

To integrate environmental consideration into our business strategies, the Environmental, Social and Governance ("ESG") Committee, chaired by an executive director, has been set forth to oversee the Group's environmental policies, initiatives and performances. The Group has also formulated a set of policies and procedures which serve to provide guidelines for employees to minimise emissions and ensure efficient use of resources.

Raw Material Management

It is vital for the Group to establish an effective raw material management in order to minimise the risk of increased costs due to the shortage of raw materials, as well as to help protecting endangered plants. Employees are provided with guidelines on handling storage of raw materials to ensure efficient use of resources through source reduction, reuse and recycling. The Group has also stated its commitment in achieving natural resources conservation in the Policy on Environment and the Responsible Use of Natural Resources.

Waste Management

The Group produces both hazardous and non-hazardous wastes in its operations. The Group has established step-by-step instructions on managing different types of wastes to ensure employees handle wastes correctly according to relevant laws and regulations and minimise negative impacts on the environment. For healthcare product manufacturing, waste oil generated from the factory and laboratory organic waste generated from the laboratory are collected and handled periodically by EPD-approved collectors for further treatment. For office, both domestic waste and paper waste are collected and handled by the property management service provider. To demonstrate recycling and waste reduction practices, the Group has recycled 3,433.81kg of glass bottles during the year, an increase of approximately 55% from the previous financial year. In addition, the total amount of packaging materials used per million pieces of products produced during the year reduced by approximately 12% when compared to the previous financial year.

Greenhouse Gas ("GHG") Management

An independent consultant was engaged by the Group to conduct a GHG calculation of its healthcare business in Hong Kong for the year. As electricity consumption was the largest contributor to the Group's GHG emissions, various energy-saving initiatives have been implemented, such as replacing conventional lamps with LED lights in office and factory and turning off advertising signage at 10 pm, to enhance energy efficiency. Total GHG emissions have decreased by approximately 13% during the year, recognising the effectiveness of the Group's current measures and employees' joint effort in lowering GHG emissions.

During the year, there was no incident of non-compliance with the relevant environmental laws and regulations, including but not limited to the Air Pollution Control Ordinance, the Water Pollution Control Ordinance and the Waste Disposal Ordinance that would have a significant impact on the Group's business operations and financial performance. For further details on the Group's environmental measures and performance, please refer to the Group's separately published ESG report.

RELATIONSHIPS WITH MAJOR STAKEHOLDERS

The Group is committed to communicating with key internal and external stakeholders through various channels. The Group's major stakeholders are employees, customers and suppliers.

Employees

To provide a quality workplace for employees, the Group has:

- Implemented a set of employment policies to ensure employees are remunerated equitably and competitively.

- Provided a safe and healthy working environment for employees which included swiftly implementing measures in relation to the COVID-19 pandemic. The safety management system is confirmed in the result of annual safety review conducted by a third party to be satisfactory. There were no cases of work-related fatality during the year.

- Provided employees with approximately 548 hours of training during the year.

Directors' Report

Customers

The Group's major customers are end users and distributors.

– The Group has sustained a business relationship of more than 15 years with major distributors, and the credit terms granted to the major distributors ranged from 30 to 120 days. More than 63% of the Group's total revenue during the year was generated from its five largest distributors.

– The degree of the Group's success depend heavily on customers which directly impact the Group's financial performance, and this may in turn lead to uncertainty in its financial performance. To achieve better results, the Group is investing more resources on its advertising and in organising marketing activities to expand the customer base, and its product portfolio and improve its geographical segment results. The Group also evaluates the performance of potential or existing distributors and communicate with them on a regular basis to ensure they could meet the requirements as set forth by the Group.

– Review customer satisfaction regularly to understand their view on quality regarding our products and services.

Suppliers

The relationship with the Group's suppliers is critical to its long-term business success and the Group takes a collaborative approach in regularly engaging with its suppliers across its operations.

– The Group's key suppliers are raw and packaging materials suppliers based in Hong Kong, Australia, Taiwan and the United States, with all over 15 years of business relationship. The credit period granted from the major suppliers is 30 to 60 days. During the year, the combined value of the Group's purchases from its five largest suppliers was approximately 81% of the total value of supplies purchased.

– The Group has implemented guidelines for selecting and introducing new suppliers and/or new products to its offering.

– The Group has designed and implemented a self-evaluation and assessment scheme for all vendors to manage environmental and social risks in the supply chain.

PERMITTED INDEMNITY

The Company's bye-laws provides that the directors shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty except they shall incur or sustain through their own wilful neglect or default, fraud and dishonesty respectively. In addition, liability insurance for directors and senior management of the Company is maintained by the Company with appropriate coverage for certain legal actions against the directors.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 38 and 39 and in note 34(b) to the consolidated financial statements respectively.

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 97.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

All the properties of the Group are carried at their revalued amounts.

Movements in the investment properties and property, plant and equipment of the Group during the year are set out in notes 12 and 13 to the consolidated financial statements respectively.

PROPERTIES

Particulars of the property interests of the Group are set out on page 98.

Directors' Report

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

In 2012, the Group completed the acquisition of the trademarks relating to the White Flower Embrocation and White Flower Ointment for Hoe Hin products registered in Malaysia and Singapore from Mr. Gan Wee Sean, an executive director and a major shareholder of the Company, at a total consideration of HK$19,600,000. The consideration is payable by 70 equal annual installments of HK$280,000 each. The acquisition of trademarks constituted a connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details are set out in the announcement of the Company dated 8 September 2009 and in note 14 to the consolidated financial statements.

During the year, there was no other connected transaction nor continuing connected transaction which need to be disclosed pursuant to Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in notes 14 and 29 to the consolidated financial statements. Save as disclosed in "CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS" above, the related party transactions did not constitute connected transactions which is required to be disclosed under the Listing Rules.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing shareholders.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements was entered into during the year and subsisted at the end of the year.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Gan Wee Sean *(Chairman and Chief Executive Officer)*
Mr. Gan Fock Wai, Stephen
Mr. Gan Cheng Hooi, Gavin

Non-executive Director

Ms. Gan Fook Yin, Anita

Independent Non-executive Directors ("INED(s)")

Mr. Leung Man Chiu, Lawrence
Ms. Wong Ying Kay, Ada
Mr. Ip Tin Chee, Arnold

In accordance with the bye-laws of the Company, Mr. Gan Fock Wai, Stephen, Ms. Gan Fook Yin, Anita and Mr. Leung Man Chiu, Lawrence will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The term of services of the INEDs, namely Mr. Leung Man Chiu, Lawrence, Ms. Wong Ying Kay, Ada and Mr. Ip Tin Chee, Arnold is for two years from 1 October 2020 to 30 September 2022.

The Company has received written confirmation from each of the INEDs as regards their independence to the Company and considers that each of the INEDs is independent to the Company.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2020, the interests and short positions of the directors and chief executive in the shares of the Company and associated corporations, as defined in Part XV of the SFO and as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares of the Company

	Number of shares held				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Percentage of issued shares of the Company**
Mr. Gan Wee Sean	27,208,322	2,380,560 *(Note 1)*	65,323,440 *(Note 2)*	94,912,322 *(Note 2)*	30.46%
Mr. Gan Fock Wai, Stephen	10,446,879	–	62,527,920 *(Note 3)*	72,974,799 *(Note 3)*	23.42%
Ms. Gan Fook Yin, Anita	1,190,280	–	–	1,190,280	0.38%

Long positions in non-voting deferred shares of associated corporations

	Number of shares held				
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Percentage of issued non-voting deferred shares of the respective corporations**
(a) Hoe Hin Pak Fah Yeow Manufactory Limited (non-voting deferred shares of HK$1,000 each)					
Mr. Gan Wee Sean	8,600	800 *(Note 1)*	–	9,400	42.7%
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800	12.7%
(b) Pak Fah Yeow Investment (Hong Kong) Company, Limited (non-voting deferred shares of HK$1 each)					
Mr. Gan Wee Sean	8,244,445	711,111 *(Note 1)*	–	8,955,556	42.2%
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000	13.2%

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 2,380,560 shares of the Company, 800 non-voting deferred shares of Hoe Hin Pak Fah Yeow Manufactory Limited and 711,111 non-voting deferred shares of Pak Fah Yeow Investment (Hong Kong) Company, Limited.

2. These 65,323,440 shares were beneficially owned by Hexagan Enterprises Limited, a company wholly-owned by Mr. Gan Wee Sean and his wife, Madam Khoo Phaik Gim. The total number of 94,912,322 shares in aggregate represented approximately 30.46 percent of the issued shares of the Company.

3. These 62,527,920 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 32 percent. The total number of 72,974,799 shares in aggregate represented approximately 23.42 percent of the issued shares of the Company.

Directors' Report

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights at any time during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than as disclosed in notes 14 and 23 to the accompanying consolidated financial statements, no other transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

Mr. Gan Wee Sean and Mr. Gan Fock Wai, Stephen respectively entered into a service agreement with the Company on 28 November 1991 for a term of two years and one month commencing from 1 December 1991. The appointment shall continue thereafter subject to termination by either party giving not less than 6-month notice in writing to the other party pursuant to the terms of the service agreement. Accordingly, the appointment continued upon completion of the initial term on 31 December 1993.

On 12 December 2014, a supplemental agreement to service agreement was entered into between the Company and Mr. Gan Wee Sean, an executive director, pursuant to which the contracting parties had agreed to revise the maximum amount of long service payment payable to Mr. Gan Wee Sean from HK$8,000,000 to HK$12,000,000 when he reached the age of 70.

In August 2016, Mr. Gan Wee Sean received his first long service payment of HK$10,347,000 as he reached the age of 70, according to the supplemental agreement dated 12 December 2014. Pursuant to the supplemental agreement dated 26 October 2016, the appointment of Mr. Gan Wee Sean has been extended for three years and the aggregate amount of the first and extended long service payments shall not exceed HK$12,000,000.

The service agreement dated 23 September 2015 entered into between the Company and Mr. Gan Cheng Hooi, Gavin, an executive director, was renewed for a term of three years commencing from 23 September 2018 unless terminated pursuant to the termination clause in the service agreement which, amongst others, entitle either party to terminate the appointment by giving not less than 3-month notice in writing to the other party.

Pursuant to the supplemental agreement dated 18 June 2019, the appointment of Mr. Gan Wee Sean has been extended for three years commencing from 17 June 2019.

Save as disclosed above, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, the interests or short positions of every person, other than the directors and their respective associates as disclosed in "DIRECTORS' INTERESTS IN SECURITIES" above, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Long positions in the shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of shares held	Percentage of issued shares of the Company
Jonathan William Brooke	Beneficial owner	21,317,500 *(Note)*	6.84%

Note: As reported by Jonathan William Brooke on 10 June 2020, Mr. Jonathan William Brooke has 100% control of Brook Capital Limited which is interested in 15,130,000 shares of the Company, representing 4.85% of the issued shares of the Company.

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Directors' Report

Save as disclosed above, as at 31 December 2020, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for 63.9% of the total revenue of the Group in 2020 with the largest customer accounting for 21.5%.

The five largest suppliers of the Group accounted for 81.4% of the total purchases of the Group in 2020 with the largest supplier accounting for 32.7%.

To the best of the directors' knowledge, no director of the Company or any of its subsidiaries, their close associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the five largest customers or suppliers referred to above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or subsisted during the year.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviation:

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Mr. Gan Wee Sean, the Chairman of the board of directors, was appointed as the acting Chief Executive Officer on 21 April 2008 and the Chief Executive Officer on 1 September 2011. Although these two roles are performed by the same individual, certain responsibilities have been shared with other executive directors to balance the power and authority. In addition, all major decisions have been made in consultation with members of the board as well as senior management. The board has one non-executive director and also three INEDs who offer different independent perspectives. Therefore, the board is of the view that there are adequate balance of power and safeguards in place. The board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by Mazars CPA Limited, Certified Public Accountants. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board
Pak Fah Yeow International Limited

GAN Wee Sean
Chairman

Hong Kong, 30 March 2021

Independent Auditor's Report

mazars

MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 18 號中環廣場 42 樓

To the shareholders of
Pak Fah Yeow International Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Pak Fah Yeow International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 35 to 96, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 for 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.

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties and leasehold land and buildings *Refer to notes 12, 13 and 32(b) to the consolidated financial statements*	
As at 31 December 2020, investment properties and leasehold land and buildings held by the Group were stated at fair value of HK$285,123,000 and HK$320,500,000 respectively. Significant estimation and judgement are applied by management to determine the fair value of the investment properties and the leasehold land and buildings, including the determination of valuation techniques and the selection of different inputs in the models. Therefore, it is considered as a key audit matter. Management has engaged independent professional valuers in the United Kingdom, Singapore and Hong Kong (the "Valuers") whose work has been relied on in the estimation of the fair value of the investment properties and the leasehold land and buildings.	Our key audit procedures over valuation of investment properties and leasehold land and buildings included: – Evaluating the competence, capabilities and objectivity of the Valuers. – Assessing the appropriateness of the work of the Valuers by making enquiries on the bases of valuation and obtaining corroborative evidence on the input data. – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used.

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 2020 annual report of the Company 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. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report

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

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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2021

The engagement director on the audit resulting in this independent auditor's report is:
Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	4	**109,343**	147,761
Other revenue	4	**163**	340
Other net income	5	**4,162**	211
Changes in inventories of finished goods		**5,449**	(782)
Raw materials and consumables used		**(30,698)**	(27,654)
Staff costs		**(34,593)**	(33,692)
Depreciation expenses		**(8,024)**	(8,382)
Net exchange gain (loss)		**371**	(457)
Other operating expenses	6	**(14,930)**	(32,807)
Profit from operations before fair value changes of financial assets through profit or loss and of investment properties		**31,243**	44,538
Net gain on financial assets at fair value through profit or loss		**267**	1,872
Revaluation deficit in respect of investment properties	12	**(64,757)**	(1,392)
(Loss) Profit from operations		**(33,247)**	45,018
Finance costs	6	**(614)**	(756)
(Loss) Profit before taxation	6	**(33,861)**	44,262
Taxation	9	**(4,495)**	(8,216)
(Loss) Profit for the year, attributable to owners of the Company		**(38,356)**	36,046

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Other comprehensive (loss) income			
Item that will not be reclassified to profit or loss:			
Revaluation deficit of leasehold land and buildings, net of tax effect of HK$6,272,000 *(2019: HK$418,000)*		**(31,741)**	(2,114)
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of overseas subsidiaries		**3,610**	4,134
Exchange difference arising from translation of inter-company balances with overseas subsidiaries representing net investments		**(493)**	(994)
		3,117	3,140
Other comprehensive (loss) income for the year, net of tax, attributable to owners of the Company		**(28,624)**	1,026
Total comprehensive (loss) income for the year, attributable to owners of the Company		**(66,980)**	37,072
		HK	HK
(Loss) Earnings per share			
Basic and diluted	11	**(12.3 cents)**	11.6 cents

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Investment properties	12	**285,123**	346,432
Property, plant and equipment	13	**323,111**	368,511
Intangible assets	14	**2,450**	2,450
Financial assets at fair value through profit or loss	15	**5,588**	5,789
Deferred tax assets	24	**1,021**	–
		617,293	723,182
Current assets			
Inventories	16	**18,417**	17,929
Trade and other receivables	17	**25,515**	13,776
Financial assets at fair value through profit or loss	15	**14,177**	16,489
Tax recoverable		**2,691**	2,505
Bank balances and cash	18	**117,303**	137,969
		178,103	188,668
Current liabilities			
Bank borrowings, secured	19	**17,859**	19,492
Current portion of deferred income	22	**258**	242
Trade and other payables	20	**10,637**	26,992
Tax payable		**1,220**	3,024
Dividends payable		**761**	7,302
		30,735	57,052
Net current assets		**147,368**	131,616
Total assets less current liabilities		**764,661**	854,798
Non-current liabilities			
Long-term portion of consideration payable for acquisition of trademarks	21	**2,073**	2,073
Long-term portion of deferred income	22	**35,892**	33,899
Provision for directors' retirement benefits	23	**6,188**	4,689
Deferred tax liabilities	24	**47,316**	54,020
		91,469	94,681
NET ASSETS		**673,192**	760,117
Capital and reserves			
Share capital	25	**15,582**	15,582
Share premium and reserves	26	**657,610**	744,535
TOTAL EQUITY		**673,192**	760,117

These consolidated financial statements on pages 35 to 96 were approved and authorised for issue by the Board of Directors on 30 March 2021 and signed on its behalf by

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital	Share premium *(Note 26)*	Properties revaluation reserve *(Note 26)*	Exchange reserve *(Note 26)*	Proposed dividends	Retained profits	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	15,582	21,997	273,151	(36,906)	11,842	471,036	741,120	756,702
Profit for the year	–	–	–	–	–	36,046	36,046	36,046
Other comprehensive (loss) income for the year	–	–	(2,114)	3,140	–	–	1,026	1,026
Total comprehensive income attributable to owners of the Company	–	–	(2,114)	3,140	–	36,046	37,072	37,072
Transfer	–	–	(5,226)	–	–	5,226	–	–
Transactions with owners:								
Distributions to owners								
Interim dividends declared *(Note 10)*	–	–	–	–	–	(21,815)	(21,815)	(21,815)
Final dividend proposed *(Note 10)*	–	–	–	–	11,842	(11,842)	–	–
Final dividend in respect of previous years approved *(Note 10)*	–	–	–	–	(11,842)	–	(11,842)	(11,842)
Total transactions with owners	–	–	–	–	–	(33,657)	(33,657)	(33,657)
At 31 December 2019	15,582	21,997	265,811	(33,766)	11,842	478,651	744,535	760,117

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital	Share premium *(Note 26)*	Properties revaluation reserve *(Note 26)*	Exchange reserve *(Note 26)*	Proposed dividends	Retained profits	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	15,582	21,997	265,811	(33,766)	11,842	478,651	744,535	760,117
Loss for the year	–	–	–	–	–	(38,356)	(38,356)	(38,356)
Other comprehensive (loss) income for the year	–	–	(31,741)	3,117	–	–	(28,624)	(28,624)
Total comprehensive (loss) income attributable to owners of the Company	–	–	(31,741)	3,117	–	(38,356)	(66,980)	(66,980)
Transfer	–	–	(4,908)	–	–	4,908	–	–
Transactions with owners:								
Distributions to owners								
Interim dividends declared *(Note 10)*	–	–	–	–	–	(8,103)	(8,103)	(8,103)
Final dividend proposed *(Note 10)*	–	–	–	–	11,842	(11,842)	–	–
Final dividend in respect of previous years approved *(Note 10)*	–	–	–	–	(11,842)	–	(11,842)	(11,842)
Total transactions with owners	–	–	–	–	–	(19,945)	(19,945)	(19,945)
At 31 December 2020	15,582	21,997	229,162	(30,649)	11,842	425,258	657,610	673,192

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	*27(a)*	**16,271**	52,018
Interest received		**283**	1,002
Interest paid		**(334)**	(476)
Income taxes paid		**(7,960)**	(3,796)
Net cash generated from operating activities		**8,260**	48,748
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(637)**	(439)
Net cash used in investing activities		**(637)**	(439)
FINANCING ACTIVITIES	*27(b)*		
Consideration paid for acquisition of trademarks		**(280)**	(280)
Net repayment of bank borrowings		**(2,309)**	(2,908)
Dividends paid		**(26,486)**	(33,698)
Net cash used in financing activities		**(29,075)**	(36,886)
Net (decrease) increase in cash and cash equivalents		**(21,452)**	11,423
Cash and cash equivalents at beginning of the reporting period		**137,969**	126,115
Effect of foreign exchange rate changes		**786**	431
Cash and cash equivalents at end of the reporting period, represented by bank balances and cash	*18*	**117,303**	137,969

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

1. GENERAL

Pak Fah Yeow International Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and principal place of business is 11th Floor, 200 Gloucester Road, Wan Chai, Hong Kong. The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of healthcare products, treasury and property investments. The Company and its subsidiaries are herein collectively referred to as the "Group".

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new/revised HKFRSs (Continued)

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties, leasehold land and buildings and financial assets at fair value through profit or loss ("FVPL"), which are measured at fair value as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Investment properties

Investment properties are land and/or building that are held by owner or lessee to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment properties is based on valuations by independent valuers who hold recognised professional qualification and have recent experience in the location and category of the property being valued.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Leasehold land and buildings held for own use are stated at revalued amount, being the fair value at the date of valuation less accumulated depreciation and accumulated impairment losses. Fair value is determined by independent valuations which are performed periodically by independent valuers who hold recognised professional qualification and have recent experience in the location and category of the property being valued. Increases in valuation are credited to the properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same asset and are thereafter charged to profit or loss. Any subsequent increases are credited to profit or loss up to the amount previously charged and thereafter to properties revaluation reserve. At the end of each reporting period, the amount of the revaluation surplus (calculated as the difference between depreciation based on the revalued carrying amount of the leasehold land and buildings and depreciation based on their original cost) is transferred from properties revaluation reserve to retained profits. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or valuation less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately:

Leasehold land	Over the relevant lease term
Buildings situated on leasehold land	50 years or over the relevant lease term, whichever is shorter
Plant and machinery	10 – 15 years
Furniture, fixtures and equipment	5 – 15 years
Motor vehicles	5 years

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Intangible assets

Acquired intangible assets are measured on initial recognition at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

The useful lives of intangible assets are assessed as indefinite.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, the investments in subsidiaries are stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; or (ii) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first interim reporting period following the change in the business model.

Notes to the Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement (Continued)

1) *Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its 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 at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables and bank balances and cash.

2) *Financial assets at FVPL*

These investments include financial assets held for trading. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets mandatorily measured at FVPL include equity securities, debt securities, private equity fund and mutual funds.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, consideration payable for acquisition of trademarks and bank borrowings. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payables at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated).

Subsequently, the financial guarantee is measured at the higher of (i) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with HKFRS 15: *Revenue from contracts with Customers* and (ii) the amount of the loss allowance determined in accordance with the expected credit losses ("ECL") model under HKFRS 9: *Financial Instruments*, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

Impairment of financial assets and other items

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost, lease receivables and financial guarantee contracts issued to which the impairment requirements apply in accordance with HKFRS 9: *Financial Instruments*. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive. For lease receivable, the cash flows used for determining the ECL should be consistent with the cash flow used in measuring the lease receivable in accordance with HKFRS 16: *Leases*.

For a financial guarantee contract, the entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items (Continued)

Measurement of ECL (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on certain shared credit risk characteristics, such as past due information, nature of instrument, geographical location of debtors and external risk ratings.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument meets any of the following criteria:

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, 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.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument 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 in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items (Continued)

Assessment of significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed in note 30(a) to these consolidated financial statements, bank balances and other receivables are determined to have low credit risk.

Simplified approach of ECL

For trade and bills receivables, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

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

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Notes to the Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term.

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Dividend income from financial assets is recognised when the Group's rights to receive dividend are established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Realised gain or loss on financial assets at FVPL is recognised on a trade date basis whilst unrealised gain or loss on financial assets at FVPL is recognised to restate to their fair value at the end of the reporting period.

Revenue from contracts with customers within HKFRS 15: *Revenue*

Nature of goods

The nature of the goods provided by the Group is manufacturing and sale of Hoe Hin products.

Identification of performance obligations

At contract inception, the Group assesses the goods promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good (or a bundle of goods) that is distinct; or

(b) a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer.

A good that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good either on its own or together with other resources that are readily available to the customer (i.e. the good is capable of being distinct); and

(b) the Group's promise to transfer the good to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good is distinct within the context of the contract).

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers within HKFRS 15: *Revenue (Continued)*

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of Hoe Hin products is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed. Revenue is after deduction of any trade discounts.

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Variable consideration: purchase rebates and chain-store discounts

The Group gives rebates to selected customers and discounts to selected chain-stores. The Group estimates the purchase rebates and discounts using the most-likely-amount method and assesses whether the estimated variable consideration is constrained with reference to the agreed percentages of rebates and annual purchases. Any significant estimation variances will be analysed and taken into consideration in the current estimation and assessment. Typically, the estimated consideration is constrained.

Rebate/Discount liabilities

The Group recognises a rebate/discount liability if the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer. A rebate/discount liability is measured at the amount of consideration received (or receivable) for which the Group does not expect to be entitled (i.e. amounts not included in the transaction price). The rebate/discount liability (and the corresponding change in the transaction price and, therefore, the contract liability) is updated at the end of each reporting period for changes in circumstances.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of comprehensive income are translated at average exchange rate.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its intangible assets and property, plant and equipment may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. the cash-generating unit).

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately, except where the relevant asset is carried at revalued amount in which case the impairment loss is treated as a revaluation decrease in accordance with the accounting policy relevant to that asset.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately, except where the relevant asset is carried at revalued amount, in which case the reversal of impairment loss is treated as a revaluation increase in accordance with the accounting policy relevant to that asset.

Interim financial reporting and impairment

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

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

The Group applies the derecognition and impairment requirements in HKFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for 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

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plan

The Group operates a Mandatory Provident Fund ("MPF") scheme for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF scheme, each of the employer and its employees are required to make contributions to the scheme at the rate specified in the rules. The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss.

Long service payments

The Group's net obligations in respect of long service payment under the Employment Ordinance and directors' retirement scheme benefits are the amounts of future benefit that employees and directors have earned in return for their services in the current and prior periods. The obligations related to employees are calculated using the projected unit credit method and discounted to their present values and after deducting the fair value of any related assets, including retirement scheme benefits. The obligations related to directors' retirement benefits are calculated on the monthly salaries up to the retirement age set in the Group's human resources policy or the appointment period stated on the service agreements but subject to the maximum amounts specified in their respective service contracts.

Borrowing costs

Borrowing costs incurred that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sales. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Share capital

Ordinary shares are classified as equity. When any group entity purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Government grants

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxable authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

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

(b) An entity is related to the Group if any of the following conditions applies:

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

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

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

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, namely, the executive directors, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

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

Critical accounting estimates and judgements

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the future periods are discussed below.

Key sources of estimation uncertainty

(i) Valuation of investment properties and leasehold land and buildings

Investment properties and leasehold land and buildings held by the Group are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have made reference to recent market transaction prices of similar properties and adjusted to the condition of the Group's investment properties and leasehold land and buildings. In relying on the valuation report, management of the Group has exercised its judgement and is satisfied that the techniques and assumptions applied by the valuers are appropriate. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and leasehold land and buildings which would be recognised in profit or loss or properties revaluation reserve.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

Key sources of estimation uncertainty (Continued)

(ii) Revenue from contracts with customers within HKFRS 15

Estimation and constraint of variable consideration

The sale of Hoe Hin products includes purchase rebates and chain-store discounts that give rise to variable consideration. In estimating the variable consideration, the Group applies the most-likely-amount method to predict the entitled amount.

The Group determines that the most-likely-amount method is appropriate to estimate the variable consideration arising from purchase rebates and chain-store discounts because there is usually a single volume threshold contained in the contract.

Before including any estimated amount of variable consideration in the transaction price, the Group considers whether it is constrained based on the historical experience, business forecast and the current economic conditions.

(iii) Loss allowance for ECL

The Group's management estimates the loss allowance for financial assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of financial assets. Details of the key assumptions and inputs used in estimating ECL are set out in note 30(a) to these consolidated financial statements.

(iv) Allowance for inventories

The Group's management reviews the condition of inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving items that are identified as no longer recoverable or suitable for use in production. Management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

Critical judgements made in applying accounting policies

(i) Lease terms of contracts with extension options – as lessor

Lease terms are determined as the non-cancellable period of a lease, including periods covered by an option to extend if the lessee is reasonably certain to exercise the extension option, and periods covered by an option to terminate if the lessee is reasonably certain not to exercise the termination option.

The Group has lease contracts that include extension options. In assessing whether the lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group applies judgement and considers all relevant facts and circumstances that create an economic incentive to extend or terminate the leases.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the lessee is reasonably certain to exercise an extension option.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

Critical judgements made in applying accounting policies (Continued)

(ii) Classification of leases – as lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date which involves the overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. As part of the assessment, the Group considers all the relevant factors including the contractual terms and the circumstances of the contractual parties to determine the substance of the transaction.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 16	Covid-19 Related Rent Conversions [1]
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 [2]
Amendments to HKAS 16	Proceeds before Intended Use [3]
Amendments to HKAS 37	Cost of Fulfilling a Contract [3]
Amendments to HKFRS 3	Reference to the Conceptual Framework [3]
Annual Improvements to HKFRSs	2018–2020 Cycle [3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [4]
HKFRS 17	Insurance Contracts [4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 The effective date to be determined

The Group is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far, the management is of the opinion that the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker – the executive directors for making strategic decisions and resources allocation. The Group's operating segments are structured and managed separately according to the nature of their businesses. The Group is currently organised into three operating businesses as follows:

a) Healthcare – manufacture and sale of Hoe Hin products

b) Property investments

c) Treasury investments

Each of the Group's operating segments represents a strategic business unit subject to risks and returns that are different from those of the other operating segments.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the purposes of assessing the performance of the operating segments between segments, the executive directors assess segment profit or loss before income tax without allocation of finance costs, directors' emoluments, office staff salaries, legal and professional fees and central administrative costs and the basis of preparing such information is consistent with that of the consolidated financial statements. All assets are allocated to reportable segments other than deferred tax assets, tax recoverable and other corporate assets. All liabilities are allocated to reportable segments other than deferred tax liabilities, provision for directors' retirement benefits, tax payable, dividends payable and other corporate liabilities.

Business segments

	Year ended 31 December 2020			
	Healthcare *HK$'000*	Property investments *HK$'000*	Treasury investments *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	102,323	6,737	283	109,343
Segment results	41,403	(59,492)	2,073	(16,016)
Unallocated corporate expenses				(17,231)
Loss from operations				(33,247)
Finance costs				(614)
Loss before taxation				(33,861)
Taxation				(4,495)
Loss for the year				(38,356)
Assets				
Segment assets	435,144	285,777	70,279	791,200
Unallocated corporate assets				4,196
Consolidated total assets				795,396
Liabilities				
Segment liabilities	11,172	55,428	–	66,600
Unallocated corporate liabilities				55,604
Consolidated total liabilities				122,204
Other information				
Additions to non-current assets	(637)	–	–	(637)
Depreciation expenses	(7,932)	(92)	–	(8,024)
Revaluation deficit in respect of investment properties	–	(64,757)	–	(64,757)
Revaluation deficit of leasehold land and buildings (in other comprehensive income)	(31,741)	–	–	(31,741)
Net gain on financial assets at fair value through profit or loss	–	–	267	267

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	Year ended 31 December 2019			
	Healthcare *HK$'000*	Property investments *HK$'000*	Treasury investments *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	136,611	10,148	1,002	147,761
Segment results	48,431	7,583	3,043	59,057
Unallocated corporate expenses				(14,039)
Profit from operations				45,018
Finance costs				(756)
Profit before taxation				44,262
Taxation				(8,216)
Profit for the year				36,046
Assets				
Segment assets	475,207	347,298	86,360	908,865
Unallocated corporate assets				2,985
Consolidated total assets				911,850
Liabilities				
Segment liabilities	27,196	54,567	–	81,763
Unallocated corporate liabilities				69,970
Consolidated total liabilities				151,733
Other information				
Additions to non-current assets	(433)	(6)	–	(439)
Depreciation expenses	(8,291)	(91)	–	(8,382)
Revaluation deficit in respect of investment properties	–	(1,392)	–	(1,392)
Revaluation deficit of leasehold land and buildings (in other comprehensive income)	(2,114)	–	–	(2,114)
Net gain on financial assets at fair value through profit or loss	–	–	1,872	1,872

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

3. OPERATION SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's businesses cover Hong Kong, Macau, other regions in the People's Republic of China (the "PRC"), Southeast Asia, North America and the United Kingdom.

The following tables provide an analysis of the Group's revenue and results from operations by geographical location of customers for healthcare products and geographical location of the related assets for property investment and treasury investment operations:

	Revenue from external customers		Results from operations	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**32,791**	84,134	**(18,938)**	31,350
Macau	**6,245**	16,642	**4,766**	10,407
PRC	**37,875**	11,450	**10,451**	(3,961)
Southeast Asia	**22,941**	23,335	**15,557**	8,481
North America	**5,210**	4,749	**2,800**	1,155
United Kingdom	**3,058**	6,453	**(34,063)**	7,914
Other regions	**1,223**	998	**1,492**	1,924
Unallocated corporate expenses	**–**	–	**(15,312)**	(12,252)
	109,343	147,761	**(33,247)**	45,018

	Non-current assets *(Note)*	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**472,111**	545,811
Southeast Asia	**13,877**	13,686
United Kingdom	**124,696**	157,896
	610,684	717,393

Note: Non-current assets exclude financial instruments and deferred tax assets.

Information about major customers

Revenues from external customers contributing 10% or over of the total revenue from the Group's business segment of healthcare products are as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**23,474**	–
Customer B	**16,490**	14,966
Customer C	**15,879**	16,940
Customer D	*****	28,217
Customer E	*****	21,751
Customer F	*****	16,642
	55,843	98,516

* These customers individually contributed less than 10% of the total revenue from the Group's healthcare products segment during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. REVENUE AND OTHER REVENUE

	2020 *HK$'000*	2019 *HK$'000*
Revenue from contracts with customers within HKFRS 15		
Sale of Hoe Hin products		
– Fixed price	**73,184**	56,643
– Variable price	**29,139**	79,968
	102,323	136,611
Revenue from other sources		
Lease income under operating leases with fixed lease payments	**6,737**	10,148
Interest revenue calculated using the effective interest method from bank deposits	**283**	1,002
Revenue	**109,343**	147,761
Listed investments		
Dividend income from financial assets at FVPL	**176**	333
(Loss) Gain on disposal of financial assets at FVPL	**(13)**	7
Other revenue	**163**	340
Total revenue	**109,506**	148,101

5. OTHER NET INCOME

	2020 *HK$'000*	2019 *HK$'000*
Commission income	**28**	25
Loss on disposal of property, plant and equipment	**–**	(2)
Sundry income	**256**	188
Government subsidies *(Note)*	**3,878**	–
	4,162	211

Note: The government subsidies represented grant received from the Employment Support Scheme under the Anti-epidemic Fund of the Government of the Hong Kong Special Administration Region which aims to retain employment under the COVID-19 environment.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

6. (LOSS)PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2020 *HK$'000*	2019 *HK$'000*
(a) Other operating expenses		
Advertising, promotion and event expenses *(Note)*	**4,188**	19,645
Auditor's remuneration	**448**	490
Legal and professional fees	**1,361**	1,446
Office and administrative expenses	**2,647**	3,569
Production overhead	**2,281**	2,671
Travelling and transportation	**1,037**	1,545
Others	**2,968**	3,441
	14,930	32,807

Note: Included lease charges on short-term leases of advertising spaces of HK$1,097,000 (2019: HK$2,186,000)

	2020 *HK$'000*	2019 *HK$'000*
(b) Finance costs		
Interest on bank borrowings	**334**	476
Interest on consideration payable for acquisition of trademarks	**280**	280
	614	756
(c) Other items		
Cost of inventories	**41,341**	45,524
Contributions to defined contribution plan (included in staff costs)	**822**	838
Gross rental income from investment properties less direct operating expenses of HK$247,000 *(2019: HK$212,000)*	**(6,490)**	(9,936)

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

7. BENEFITS AND INTERESTS OF DIRECTORS

(a) Director's emoluments

The aggregate amounts of emoluments received and receivable by the Company's directors are as follows:

	2020						
	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Management performance bonus *HK$'000*	Retirement benefits *HK$'000* *(Note 23)*	Housing and other allowances *HK$'000*	Contributions to defined contribution plan *HK$'000*	Total *HK$'000*
Executive directors							
Gan Wee Sean	**45**	**4,727**	**–**	**323**	**1,603**	**–**	**6,698**
Gan Fock Wai, Stephen	**45**	**3,300**	**–**	**1,176**	**880**	**18**	**5,419**
Gan Cheng Hooi, Gavin	**143**	**819**	**–**	**–**	**–**	**18**	**980**
Non-executive director							
Gan Fook Yin, Anita	**138**	**–**	**–**	**–**	**–**	**–**	**138**
Independent non-executive directors							
Wong Ying Kay, Ada	**138**	**–**	**–**	**–**	**–**	**–**	**138**
Ip Tin Chee, Arnold	**138**	**–**	**–**	**–**	**–**	**–**	**138**
Leung Man Chiu, Lawrence	**138**	**–**	**–**	**–**	**–**	**–**	**138**
	785	**8,846**	**–**	**1,499**	**2,483**	**36**	**13,649**

	2019						
	Directors' fees *HK$'000*	Salaries and other benefits *HK$'000*	Management performance bonus *HK$'000*	Retirement benefits *HK$'000* *(Note 23)*	Housing and other allowances *HK$'000*	Contributions to defined contribution plan *HK$'000*	Total *HK$'000*
Executive directors							
Gan Wee Sean	43	4,519	63	243	1,532	–	6,400
Gan Fock Wai, Stephen	43	3,156	63	242	841	18	4,363
Gan Cheng Hooi, Gavin	136	756	142	–	–	18	1,052
Non-executive director							
Gan Fook Yin, Anita	132	–	–	–	–	–	132
Independent non-executive directors							
Wong Ying Kay, Ada	132	–	–	–	–	–	132
Ip Tin Chee, Arnold	132	–	–	–	–	–	132
Leung Man Chiu, Lawrence	132	–	–	–	–	–	132
	750	8,431	268	485	2,373	36	12,343

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

7. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

Management performance bonus was calculated at 1% or 0.4% of the consolidated net profit after taxation and certain adjustments according to the terms specified in the executive directors' service agreements. No management bonus was provided for the year ended 31 December 2020 because there was a consolidated net loss for the year.

(b) Loans, quasi-loans and other dealings in favour of directors

There were no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the years ended 31 December 2020 and 2019.

(c) Directors' material interest in transactions, arrangements or contracts

Except for the instalments payable for the acquisition of trademarks and the retirement benefits arrangement as detailed in notes 14 and 23 to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company 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 years or at any time during the years ended 31 December 2020 and 2019.

8. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three *(2019: two)* are directors whose emoluments are included in the amounts disclosed in note 7 above. The aggregate of the emoluments of the other two *(2019: three)* individuals are as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Salaries and other benefits	**2,179**	2,988
Performance bonus	**289**	487
Contributions to defined contribution plan	**36**	54
	2,504	3,529

The emoluments of the two *(2019: three)* individuals with the highest emoluments fall within the following bands:

	2020 **Number of individuals**	2019 Number of individuals
HK$Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**2**	3

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the five highest paid individuals and other directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2020 and 2019, no directors waived any of their emoluments.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

9. TAXATION

Under the two-tiered profits tax rates regime introduced in 2018, the first HK$2 million of profits of qualifying group entity are taxed at 8.25% and profits above HK$2 million are taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Overseas taxation has been provided on the estimated assessable profits for the year, in respect of the Group's overseas operations, at the rates of taxation prevailing in the relevant jurisdictions.

The charge comprises:	**2020** ***HK$'000***	2019 *HK$'000*
Current tax		
Hong Kong Profits Tax	**5,546**	7,212
Overseas tax	**402**	1,048
	5,948	8,260
Deferred taxation *(Note 24)*		
Origination and reversal of temporary differences	**(1,453)**	(44)
	4,495	8,216

Reconciliation of effective tax rate

	2020 **%**	2019 %
Applicable tax rate in Hong Kong	**16.5**	16.5
Non-deductible expenses and losses	**(35.9)**	2.2
Non-taxable revenue and gains	**2.3**	(1.5)
Effect of two-tiered profits tax rate	**0.5**	(0.4)
Others	**3.3**	1.8
Effective tax rate for the year	**(13.3)**	18.6

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Year ended 31 December 2020

10. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Attributable to the current year:		
Interim dividends of HK2.60 cents per share *(2019: HK7.00 cents per share)*	**8,103**	21,815
Final dividend of 3.8 cents per share *(2019: HK3.80 cents per share)*	**11,842**	11,842
	19,945	33,657
Attributable to previous years, approved and paid during the year:		
Final dividend of HK3.80 cents per share *(2019: HK3.80 cents per share)*	**11,842**	11,842

The final dividend for 2020 proposed after the end of the reporting period is subject to shareholders' approval at the forthcoming annual general meeting. This dividend has not been recognised as liabilities at the end of the reporting period.

11. (LOSS) EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
(Loss) Profit attributable to owners of the Company	**(38,356)**	36,046

	2020	2019
Weighted average number of ordinary shares for basic (loss) earnings per share *('000)*	**311,640**	311,640

	HK	*HK*
(Loss) Earnings per share		
Basic and diluted	**(12.3 cents)**	11.6 cents

Diluted (loss) earnings per share equals to basic (loss) earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019.

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12. INVESTMENT PROPERTIES

	Investment properties in Hong Kong under long leases HK$'000	Freehold investment properties in United Kingdom and Singapore HK$'000	Total HK$'000
Valuation			
At 1 January 2019	180,400	163,331	343,731
Exchange realignment	–	4,093	4,093
Revaluation (deficit) surplus, net	(3,100)	1,708	(1,392)
At 31 December 2019	177,300	169,132	346,432
At 1 January 2020	**177,300**	**169,132**	**346,432**
Exchange realignment	**–**	**3,448**	**3,448**
Revaluation deficit, net	**(28,300)**	**(36,457)**	**(64,757)**
At 31 December 2020	**149,000**	**136,123**	**285,123**

Investment properties in Hong Kong and Singapore were valued on a market value basis using the direct comparison approach by Memfus Wong Surveyors Limited and Hilco Appraisal Singapore Pte Limited, independent professional valuers respectively.

Investment properties in the United Kingdom were valued by Savills (UK) Limited, an independent professional valuer. The commercial units were valued by a traditional investment method of valuation with reference to rental value. The residential units were valued by capitalisation of receipts from granting lease extensions to occupational leaseholders of the residential units pursuant to a leaseholder's statutory right under the provisions of the Leasehold Reform, Housing & Urban Development Act 1993, as amended by the Commonhold and Leasehold Reform Act 2002.

Leasing arrangement – as lessee

At the end of the reporting period, the investment properties of HK$149,000,000 *(2019: HK$177,300,000)* are held under head leases with the remaining lease term ranging from of 63 to 878 *(2019: 64 to 879)* years. The lease contracts do not impose any covenants on the Group.

The property interests in leasehold land and the buildings thereon (including the whole or part of undivided share in the underlying land) in Hong Kong of HK$149,000,000 *(2019: HK$177,300,000)* are held by the Group as the registered owner. Those property interests were acquired from the previous registered owners by making lump sum payments at the upfront (which was financed by a mortgage). Except for the variable amounts to be charged by the government subsequently that are reviewed regularly with reference to a number of factors including the rateable values, there are no ongoing payments to be made under the terms of the land lease.

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Year ended 31 December 2020

12. INVESTMENT PROPERTIES (CONTINUED)

Leasing arrangement – as lessor

The investment properties are leased to tenants over remaining lease term ranging from 1 to 140 *(2019: 1 to 141)* years, in which the leases are cancellable with a pre-agreed notice period by tenant, except for one of the leases which is non-cancellable for the first year and the second year is cancellable with a pre-agreed notice period by the tenant. The leases do not contain any renewal option, except for those leases entered into for the investment properties in the United Kingdom. Monthly rental charges are fixed payments. Some of the tenants also bear the management fees and amounts charged by the government such as the rates levied on the Group.

The details of the lease income from operating leases are set out in note 4 to these consolidated financial statements.

The investment properties are subject to residual value risk. The lease contract, as a result, includes a provision on residual value guarantee based on which the Group has the right to charge the tenant for any damage to the investment properties at the end of the lease. Besides, the Group has purchased property owners liability insurance to protect it against any loss that may arise from accidents or physical damages of the properties.

Below is a maturity analysis of undiscounted lease payments to be received from the leasing of investment properties.

	2020	2019
	HK$'000	*HK$'000*
Year 1	**6,746**	8,760
Year 2	**3,969**	7,054
Year 3	**3,073**	5,614
Year 4	**3,073**	5,614
Year 5	**3,073**	5,614
After year 5	**10,830**	9,366
Undiscounted lease payments to be received	**30,764**	42,022

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Year ended 31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong *HK$'000*	**Plant and machinery** *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Reconciliation of carrying amount – year ended 31 December 2019					
At beginning of the reporting period	375,600	1,329	761	1,298	378,988
Additions	–	2	437	–	439
Revaluation	(2,532)	–	–	–	(2,532)
Disposals	–	–	(2)	–	(2)
Depreciation	(7,468)	(271)	(301)	(342)	(8,382)
At end of the reporting period	365,600	1,060	895	956	368,511
Reconciliation of carrying amount – year ended 31 December 2020					
At beginning of the reporting period	**365,600**	**1,060**	**895**	**956**	**368,511**
Additions	**–**	**36**	**169**	**432**	**637**
Revaluation	**(38,013)**	**–**	**–**	**–**	**(38,013)**
Depreciation	**(7,087)**	**(217)**	**(321)**	**(399)**	**(8,024)**
At end of the reporting period	**320,500**	**879**	**743**	**989**	**323,111**
At 31 December 2019					
Cost	–	15,822	17,922	1,709	35,453
Valuation	365,600	–	–	–	365,600
Accumulated depreciation	–	(14,762)	(17,027)	(753)	(32,542)
	365,600	1,060	895	956	368,511
At 31 December 2020					
Cost	**–**	**15,856**	**18,025**	**2,141**	**36,022**
Valuation	**320,500**	**–**	**–**	**–**	**320,500**
Accumulated depreciation	**–**	**(14,977)**	**(17,282)**	**(1,152)**	**(33,411)**
	320,500	**879**	**743**	**989**	**323,111**

The property interest in leasehold land and the buildings thereon (including the whole or part of undivided share in the underlying land) in Hong Kong of HK$320,500,000 *(2019: HK$365,600,000)* are held by the Group as right-of-use assets and as the registered owner. Those property interests were acquired from the previous registered owners by making lump sum payments at the upfront (which was financed by a mortgage). Except for the variable amounts to be charged by the government subsequently that are reviewed regularly with reference to a number of factors including the rateable values, there are no ongoing payments to be made under the terms of the land lease. At the end of the reporting period, the remaining lease term of the land is about 27 to 105 *(2019: 28 to 106)* years.

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Year ended 31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The leasehold land and buildings held for own use were valued on a market value basis on 31 December 2020 by Memfus Wong Surveyors Limited, an independent professional valuer.

The carrying amount of the leasehold land and buildings held for own use as at 31 December 2020 would have been HK$53,493,000 *(2019: HK$54,702,000)* had they been carried at cost less accumulated depreciation and accumulated impairment losses.

14. INTANGIBLE ASSETS

	Trademarks *HK$'000*
Reconciliation of carrying amount – years ended 31 December 2020 and 2019	
At beginning and **end of the reporting period**	**2,450**

In 2012, the Group completed the acquisition of the trademarks relating to the White Flower Embrocation and White Flower Ointment for Hoe Hin Brand of products registered in Malaysia and Singapore (the "Trademarks") from Mr. Gan Wee Sean, an executive director and a major shareholder of the Company, at a total consideration of HK$19,600,000. The consideration is payable by 70 equal annual instalments of HK$280,000 each. The trademarks registered in Singapore was initially recognised at cost at the date of acquisition based on the present value of the total consideration of HK$19,600,000 at a discount rate of 13.5%. The fair value of the trademark registered in Malaysia at the date of acquisition was assessed to be insignificant to the Group.

The useful lives of the Trademarks are assessed as indefinite because the Trademarks are expected to contribute to net cash inflow indefinitely and can be renewed every ten years by the Group without significant cost.

Estimates used to measure recoverable amount of cash-generating units containing the trademarks:

The trademarks registered in Singapore have been allocated to the cash-generating unit of healthcare in Singapore for impairment test.

The recoverable amount of the trademarks registered in Singapore has been determined by a value in use calculation. Cash flow projections are based on sales forecast covering a period of five years. The discount rate applied to the cash flow projections is 13.5% *(2019: 13.5%)*. The annual sales decline or growth rates applied in preparing the cash flow projection is -26% for 2021 and +2% for the next 4 years *(2019: +1.7% for 5 years)*. Management expects that the COVID-19 pandemic will continue to have a negative impact on the sales performance in 2021 and the economy will recover from 2022 onward. The long-term average growth rate for this cash-generating unit is 1.2%. *(2019: 1.2%)*.

Management determined the budgeted gross profit margin based on past performance, market conditions and its expectation for market development. The weighted average growth rates used are consistent with external sources of information. Values assigned to key assumptions reflect past experience. The discount rate used is pre-tax and reflect specific risks relating to the relevant segment.

Management is of the opinion that any reasonably possible change in the key assumptions would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Notes to the Consolidated Financial Statements

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Equity securities:		
Listed		
Hong Kong	**3,397**	5,414
Overseas	**4,145**	4,514
Unlisted	**7,400**	7,527
	14,942	17,455
Debt securities, unlisted	**4,823**	4,823
	19,765	22,278
Carrying amount included in:		
Current assets	**14,177**	16,489
Non-current assets	**5,588**	5,789
	19,765	22,278

At 31 December 2020, HK$19,765,000 *(2019: HK$22,278,000)* are mandatorily measured at FVPL.

The Group's major investments are detailed below:

	As at 31 December 2020				
	Stock code	Fair/Market value HK$'000	Approximate percentage of the Group's investment portfolio %	Approximate percentage of the Group's net assets %	Current year fair value gain (loss) HK$'000
Equity securities, listed in Hong Kong					
Tencent	0700.HK	1,128	5.7	0.2	370
Equity securities, listed overseas					
Pfizer Inc.	PFE.NYSE	1,818	9.2	0.3	117
PHILIPS ELECT	AMS: PHIA	1,156	5.9	0.2	32
SANOFI ACT	SAN.EPA	1,110	5.6	0.2	(150)
Mutual funds, unlisted					
KBC Eco Fund SICAV-Water capitalisation	N/A	4,317	21.8	0.6	242
Multipartner SICAV-RobecoSAM Sustainable Water Fund B - capitalisation	N/A	1,881	9.5	0.3	200
Debt securities, unlisted					
Aberdeen Marina Club Limited*	N/A	2,785	14.1	0.4	–
Shenzhen Xili Golf Club*	N/A	1,842	9.3	0.3	–

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15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The Group's major investments are detailed below: (Continued)

	As at 31 December 2019				
	Stock code	Fair/Market value *HK$'000*	Approximate percentage of the Group's investment portfolio %	Approximate percentage of the Group's net assets %	Current year fair value gain (loss) *HK$'000*
Equity securities, listed in Hong Kong					
HSBC Holdings plc	00005.HK	1,813	8.1	0.2	(118)
Guangdong Investment Limited	00270.HK	1,630	7.3	0.2	116
Equity securities, listed overseas					
Pfizer Inc.	PFE.NYSE	1,935	8.7	0.3	(221)
SANOFI-ACT	SAN.EPA	1,156	5.2	0.2	178
Mutual funds, unlisted					
KBC Eco Fund SICAV-Water capitalisation	N/A	3,749	16.8	0.5	949
Multipartner SICAV-RobecoSAM Sustainable Water Fund B - capitalisation	N/A	1,539	6.9	0.2	378
Debt securities, unlisted					
Aberdeen Marina Club Limited*	N/A	2,785	12.5	0.4	–
Shenzhen Xili Golf Club*	N/A	1,842	8.3	0.2	–

* neither held for sale nor repay in future

16. INVENTORIES

	2020 *HK$'000*	2019 *HK$'000*
Finished goods	**8,900**	3,451
Raw materials	**6,964**	11,944
Bottles, caps and packing materials	**2,553**	2,534
	18,417	17,929

17. TRADE AND OTHER RECEIVABLES

	Note	**2020** *HK$'000*	2019 *HK$'000*
Trade receivables	*17(a)*	**1,327**	9,835
Bills receivables		**20,658**	658
Other receivables			
Deposits, prepayments and other debtors		**3,530**	3,283
		25,515	13,776

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17. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

The Group allows credit period ranging from 30 days to 120 days *(2019: 30 days to 120 days)* to its customers. The ageing analysis of trade receivables by invoice date is as follows:

	2020 HK$'000	2019 HK$'000
Within 30 days	**10**	9,835
31 – 60 days	**1,317**	–
	1,327	9,835

All trade receivables are expected to be recovered within 12 months and no provision had been made for non-repayment of balances at the end of the reporting period.

Information about the Group's exposure to credit risks is included in note 30(a) to these consolidated financial statements.

18. BANK BALANCES AND CASH

	2020 HK$'000	2019 HK$'000
Cash at bank and in hand	**85,185**	104,733
Time deposits	**32,118**	33,236
	117,303	137,969

Cash at bank earns interest at floating rates based on bank deposit rates. Short-term time deposits are made between one month and three months depending on the immediate cash requirement of the Group, and earn interest at the prevailing short-term deposit rates.

19. BANK BORROWINGS, SECURED

The analysis of the carrying amount of bank borrowings is as follows:

	2020 HK$'000	2019 HK$'000
Bank borrowings due for repayment within one year *(Note (i))*	**17,859**	18,768
Term loan from a bank which contains a repayment on demand clause *(Note (ii))*	**–**	724
	17,859	19,492

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19. BANK BORROWINGS, SECURED (CONTINUED)

The amounts due based on the scheduled repayment dates set out in the loan agreements ignoring the effect of any repayment on demand clause are as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**17,859**	19,492

The bank borrowings are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
British Pound Sterling *(Note (i))*	**17,859**	18,768
Hong Kong dollars *(Note (ii))*	**–**	724
	17,859	19,492

Note:

(i) The revolving loan of HK$17,859,000 *(2019: HK$18,768,000)* bears interest at the bank's cost of fund plus 1.5% per annum and is repayable one month after drawdown. The loan is secured by pledging the Group's investment properties with an aggregate carrying value of HK$124,696,000 *(2019: HK$157,896,000)* together with the assignment of rental monies derived from the investment properties.

(ii) The term loan bore interest at the Hong Kong prime rate minus 3% per annum and was entirely repaid on 28 April 2020. At 31 December 2019, it was secured by a first legal charge over the Group's leasehold land and buildings held for own use with a carrying value of HK$167,000,000.

20. TRADE AND OTHER PAYABLES

	Notes	2020 HK$'000	2019 HK$'000
Trade payables	*20(a)*	**1,821**	5,120
Other payables			
Accrued charges and other creditors		**2,920**	3,775
Accrued advertising and promotion expenses		**3,842**	9,899
Accrued rebates and discounts	*20(b)*	**2,054**	8,198
		8,816	21,872
		10,637	26,992

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20. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

All trade payables are expected to be settled within one year. The ageing analysis of trade payables by invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**1,717**	3,400
31 – 60 days	**87**	1,703
61 – 90 days	**–**	–
More than 90 days	**17**	17
	1,821	5,120

(b) Accrued rebates and discounts

The drop in accrued rebates and discounts at 31 December 2020 was due to the drop of chain-store sales, through direct customers of the Group, resulted from the impact on global economies of the COVID-19 pandemic. At 31 December 2019, there was a decrease in sales to chain-store, thereby decreasing the estimated rebates and discounts to be payable.

At 31 December 2020 and 2019, there were no contract liabilities arising from rebates and discounts that were expected to be settled after more than 12 months.

21. CONSIDERATION PAYABLE FOR ACQUISITION OF TRADEMARKS

The amount represents amortised cost of the consideration payable for acquisition of the Trademarks as disclosed in note 14 to these consolidated financial statements, calculated using the effective interest method at the rate of 13.5% per annum.

22. DEFERRED INCOME

The amount represents lease premiums received in advance in respect of certain of the Group's investment properties in the United Kingdom, which is recognised as income on a straight-line basis over the lease term ranging from 141 to 152 *(2019: 142 to 153)* years.

23. PROVISION FOR DIRECTORS' RETIREMENT BENEFITS

	2020	2019
	HK$'000	*HK$'000*
At beginning of the reporting period	**4,689**	4,204
Additional provision *(Note 7)*	**1,499**	485
At end of the reporting period	**6,188**	4,689

Mr. Gan Wee Sean and Mr. Gan Fock Wai, Stephen respectively entered into a service agreement with the Company on 28 November 1991 for a term of two years and one month commencing from 1 December 1991. The appointment shall continue thereafter subject to termination by either party giving not less than 6-month notice in writing to the other party. Accordingly, the appointment continued upon the completion of the initial term on 31 December 1993 and is still in force currently. Pursuant to the terms of the service agreements (supplemented with the board minutes dated 25 September 2006, and the supplemental agreements dated 12 December 2014, 26 October 2016 and 18 June 2019), the Company shall pay Mr. Gan Wee Sean and Mr. Gan Fock Wai, Stephen a long service payment of not exceeding HK$12,000,000 and HK$8,000,000 respectively when the events as stipulated in the agreements take place.

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23. PROVISION FOR DIRECTORS' RETIREMENT BENEFITS (CONTINUED)

In August 2016, Mr. Gan Wee Sean received his first long service payment of HK$10,347,000 when he reached the age of 70, according to the supplemental agreement dated 12 December 2014.

Pursuant to the supplemental agreement dated 18 June 2019, the appointment of Mr. Gan Wee Sean has been extended for three years and the aggregate amount of the first and extended long service payments shall not exceed HK$12,000,000.

24. DEFERRED TAXATION

The movement for the year in the Group's net deferred tax position is as follows:

	2020 *HK$'000*	2019 *HK$'000*
At beginning of the reporting period	**54,020**	54,482
Recognised in profit or loss *(Note 9)*	**(1,453)**	(44)
Recognised in other comprehensive income	**(6,272)**	(418)
At end of the reporting period	**46,295**	54,020

Recognised deferred tax assets:

	Directors retirement benefits *HK$'000*
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Recognised in profit or loss	(1,021)
At 31 December 2020	**(1,021)**

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24. DEFERRED TAXATION (CONTINUED)

Recognised deferred tax liabilities:

	Accelerated depreciation allowances *HK$'000*	**Revaluation of leasehold land and buildings** *HK$'000*	**Total** *HK$'000*
At 1 January 2019	731	53,751	54,482
Recognised in profit or loss *(Note 9)*	(44)	–	(44)
Recognised in other comprehensive income	–	(418)	(418)
At 31 December 2019	687	53,333	54,020
At 1 January 2020	687	53,333	54,020
Recognised in profit or loss	(432)	–	(432)
Recognised in other comprehensive income	–	(6,272)	(6,272)
At 31 December 2020	**255**	**47,061**	**47,316**

Unrecognised deferred tax assets arising from:

	2020 ***HK$'000***	2019 *HK$'000*
Deductible temporary differences	**1**	4,744
Tax losses	**1,251**	1,222
At end of the reporting period	**1,252**	5,966

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$206,500 *(2019: HK$984,000)* have not been recognised due to uncertainty of their recoverability.

25. SHARE CAPITAL

	2020		2019	
	No. of shares	***HK$'000***	No. of shares	*HK$'000*
Authorised:				
Ordinary shares of HK$0.05 each *(2019: HK$0.05 each)*	**600,000,000**	**30,000**	600,000,000	30,000
Issued and fully paid:				
At beginning and **end of the reporting period**	**311,640,000**	**15,582**	311,640,000	15,582

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26. SHARE PREMIUM AND RESERVES

Share premium

The share premium represents the excess of the net proceeds from issuance of shares of the Company over its par value.

Properties revaluation reserve

The properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for revaluation of land and buildings held for own use, net of deferred tax.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's foreign operations and is dealt with in accordance with the accounting policies adopted.

27. OTHER CASH FLOW INFORMATION

(a) Cash generated from operations

	2020	2019
	HK$'000	*HK$'000*
(Loss) Profit before taxation	**(33,861)**	44,262
Interest income	**(283)**	(1,002)
Interest expenses	**614**	756
Dividend income from financial assets at fair value through profit or loss	**(176)**	(333)
Revaluation deficit in respect of investment properties	**64,757**	1,392
Loss on disposal of property, plant and equipment	**–**	2
Provision for directors' retirement benefits	**1,499**	485
Exchange differences	**(411)**	(921)
Depreciation expenses	**8,024**	8,382
Changes in working capital:		
Financial assets at fair value through profit or loss	**2,689**	(991)
Inventories	**(488)**	(3,953)
Trade and other receivables	**(10,349)**	11,988
Trade and other payables	**(16,523)**	(9,055)
Deferred income	**779**	1,006
Cash generated from operations	**16,271**	52,018

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27. OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Changes in liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

	Bank borrowings, secured *HK$'000*	Consideration payable for acquisition of trademarks *HK$'000*	Dividends payable *HK$'000*	Total *HK$'000*
2020				
At beginning of the reporting period	**19,492**	**2,073**	**7,302**	**28,867**
Repayment	**(227,714)**	**(280)**	**–**	**(227,994)**
New bank borrowings	**225,405**	**–**	**–**	**225,405**
Dividends paid	**–**	**–**	**(26,486)**	**(26,486)**
Net cash flows	**(2,309)**	**(280)**	**(26,486)**	**(29,075)**
Imputed interest	**–**	**280**	**–**	**280**
Changes in exchange rates	**676**	**–**	**–**	**676**
Declaration of dividends	**–**	**–**	**19,945**	**19,945**
	676	**280**	**19,945**	**20,901**
At end of the reporting period	**17,859**	**2,073**	**761**	**20,693**
2019				
At beginning of the reporting period	21,893	2,073	7,343	31,309
Repayment	(235,774)	(280)	–	(236,054)
New bank borrowings	232,866	–	–	232,866
Dividends paid	–	–	(33,698)	(33,698)
Net cash flows	(2,908)	(280)	(33,698)	(36,886)
Imputed interest	–	280	–	280
Changes in exchange rates	507	–	–	507
Declaration of dividends	–	–	33,657	33,657
	507	280	33,657	34,444
At end of the reporting period	19,492	2,073	7,302	28,867

(c) The Group has recognised total cash outflows for leases of HK$1,097,000 *(2019: HK$2,186,000)* for the year.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

28. PLEDGE OF ASSETS

Certain of the Group's leasehold land and buildings and investment properties were pledged to secure banking facilities, including bank borrowings, granted to the Group to the extent of HK$65,029,000 *(2019: HK$93,325,000)*, of which HK$17,859,000 *(2019: HK$19,492,000)* were utilised at the end of the reporting period as disclosed in note 19 to these consolidated financial statements.

The carrying amounts of the Group's pledged assets are as follows:

	2020	2019
	HK$'000	*HK$'000*
Leasehold land and buildings	**–**	167,000
Investment properties	**124,697**	157,896
	124,697	324,896

29. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties.

	2020	2019
	HK$'000	*HK$'000*
Compensation paid to key management personnel, other than directors:		
– Salaries and other benefits	**2,468**	3,476
– Contributions to defined contribution plan	**36**	54

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include bank balances and cash, trade and other receivables, financial assets at fair value through profit or loss, bank borrowings, consideration payable for acquisition of trademarks and trade and other payables. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The executive directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

The carrying amount of financial assets recognised on the statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

Bank balances and certain financial assets at FVPL

Management considered the Group has limited credit risk with its banks and financial institutions which are leading and reputable and assessed as having low credit risk. The Group has not incurred significant loss from non-performance by them in the past and management does not expect so in the future.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Credit risk (Continued)

Trade and bills receivables

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade and bills receivables by establishing a maximum payment period of 120 days.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which the customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own records.

At the end of the reporting period, the Group had a concentration of credit risk from trade and bills receivables as 81.13% *(2019: 64.91%)* and 99.95% *(2019: 99.97%)* of the total trade and bills receivables was made up by the Group's largest outstanding balance and the three (2019: three) largest outstanding balances respectively.

The Group's customer base consists of a number of clients and the trade and bills receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables. Based on historical experience, and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables, the expected loss rate of current trade and bills receivables are assessed to be negligible. Therefore, no loss allowance provision for these balances was provided for at the end of the reporting period.

The information about the exposure to credit risk and ECL for trade and bills receivables using a provision matrix is summarised below.

	Gross carrying amount *HK$'000*	**Loss allowance** *HK$'000*	**Credit-impaired**
As at 31 December 2020			
Not yet due	**21,985**	**–**	**No**
As at 31 December 2019			
Not yet due	10,493	–	No

The Group did not hold any collateral over trade and bills receivables as at 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Credit risk (Continued)

Other receivables

The Group considers that the other receivables have low credit risk based on the counterparties' strong capacity to meet their contractual cash flow obligations in the near term and low risk of default. Impairment on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the ECL, the Group has taken into account the historical actual credit loss experience over the past 3 years *(2019: 3 years)* and the financial position of the counterparties by reference to, among others, their management or audited accounts and available public information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the ECL of these financial assets to be insignificant after taking into account the financial position and credit quality of the counterparties.

There was no change in the estimation technique or significant assumptions made during the year.

b) Liquidity risk

The Group closely monitors its liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that payment obligations are met.

The following tables detail the remaining contractual maturity of the non-derivative financial liabilities of the Group. The tables have 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. For cash flows denominated in currency other than Hong Kong dollars, the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into Hong Kong dollars.

	On demand *HK$'000*	Less than 1 year *HK$'000*	More than 1 year *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2020					
Bank borrowings	–	17,859	–	17,859	17,859
Trade and other payables	8,252	1,804	–	10,056	10,056
Consideration payable for acquisition of trademarks	–	280	16,800	17,080	2,073
Dividends payable	761	–	–	761	761
	9,013	19,943	16,800	45,756	30,749

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Year ended 31 December 2020

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Liquidity risk (Continued)

	On demand *HK$'000*	Less than 1 year *HK$'000*	More than 1 year *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2019					
Bank borrowings	724	18,768	–	19,492	19,492
Trade and other payables	22,977	3,400	–	26,377	26,377
Consideration payable for acquisition of trademarks	–	280	17,080	17,360	2,073
Dividends payable	7,302	–	–	7,302	7,302
	31,003	22,448	17,080	70,531	55,244

c) Currency risk

Most of the Group's business transactions are conducted in Hong Kong dollars and United States dollars. Certain rental income is derived in the United Kingdom and denominated in British Pounds Sterling. The Group also has equity and debt securities denominated in foreign currencies.

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities denominated in a currency other than the functional currency of the group entities are as follows:

	Assets		Liabilities	
	2020 ***HK$'000***	2019 *HK$'000*	**2020** ***HK$'000***	2019 *HK$'000*
Australian dollars	**4,983**	7,010	**–**	–
British Pounds Sterling	**65**	1,271	**–**	–
United States dollars	**24,084**	22,062	**724**	3,294
Euro dollars	**16,164**	13,561	**–**	–
Japanese Yen	**2,110**	3,022	**–**	–
Malaysian Ringgit	**2,666**	2,001	**–**	–
New Zealand dollars	**1,274**	1,962	**–**	–
Norwegian Kroner	**–**	726	**–**	–
Renminbi	**634**	4,190	**–**	–
Singapore dollars	**9,244**	6,598	**–**	–
Swiss Franc	**1,425**	1,296	**–**	–
New Taiwan dollars	**–**	–	**793**	1,312
Others	**465**	411	**–**	–
	63,114	64,110	**1,517**	4,606

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c) Currency risk (Continued)

The Group considers there is no significant exposure to foreign exchange fluctuations for United States dollars as long as the Hong Kong-United States dollar exchange rate remains pegged. The currency risk for debt borrowings is minimal as they are denominated in the currency of the underlying pledged assets.

The sensitivity analysis below has been determined assuming that a change in exchange rate had occurred at the end of the reporting period and had been applied to both derivative and non-derivative financial instruments (excluding items which are denominated in United States dollar) that would have affected the profit or loss. A change of 5% *(2019: 5%)* was applied at the end of the respective reporting period.

	2020		2019	
	5% Strengthen in foreign currencies *HK$'000*	**5% Weaken in foreign currencies** *HK$'000*	5% Strengthen in foreign currencies *HK$'000*	5% Weaken in foreign currencies *HK$'000*
(Increase) Decrease in loss	**1,912**	**(1,912)**	–	–
Increase (Decrease) in profit	**–**	**–**	2,036	(2,036)

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Equity/Debt price risk

The Group's equity and debt securities are measured at fair value at the end of each reporting period with reference to the market price. Therefore, the Group is exposed to equity or debt price risks and management monitors the price movements and takes appropriate actions when required.

The sensitivity analysis below has been determined assuming that a change in the corresponding equity or debt prices had occurred at the end of the reporting period and had been applied to the equity and debt securities that would have affected the profit or loss and equity. A change of 7% *(2019: 9%)* in stock price and debt price was applied at the end of the respective reporting period.

	2020		2019	
	Increase (Decrease) in loss ***HK$'000***	**Effect on other component of equity** ***HK$'000***	Increase (Decrease) in profit *HK$'000*	Effect on other component of equity *HK$'000*
Change in the relevant equity/debt price risk variable:				
Increase 7% (2019: 9%)	**(1,384)**	**–**	2,005	–
Decrease 7% (2019: 9%)	**1,384**	**–**	(2,005)	–

31. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders, repurchase of shares or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

The Group monitors its capital using a gearing ratio, which is interest-bearing borrowings divided by total shareholders' funds at the end of the reporting period, as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Bank borrowings, secured	**17,859**	19,492
Total shareholders' fund	**673,192**	760,117
Gearing ratio	**2.7%**	2.6%

Notes to the Consolidated Financial Statements

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32. FAIR VALUE MEASUREMENTS

The following presents the assets measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31 December 2020 across the three levels of the fair value hierarchy defined in HKFRS 13: *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Financial assets measured at fair value through profit or loss

	31 December 2020 *HK$'000*	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*
Equity securities, listed in Hong Kong	**3,397**	**3,397**	**–**	**–**
Equity securities, listed overseas	**4,145**	**4,145**	**–**	**–**
Mutual funds, unlisted	**6,635**	**–**	**6,635**	**–**
Private equity fund, unlisted	**765**	**–**	**–**	**765**
Debt securities, unlisted	**4,823**	**4,823**	**–**	**–**
	19,765	**12,365**	**6,635**	**765**

	31 December 2019 *HK$'000*	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*
Equity securities, listed in Hong Kong	5,414	5,414	–	–
Equity securities, listed overseas	4,514	4,514	–	–
Mutual funds, unlisted	6,561	–	6,561	–
Private equity fund, unlisted	966	–	–	966
Debt securities, unlisted	4,823	4,823	–	–
	22,278	14,751	6,561	966

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Year ended 31 December 2020

32. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Financial assets measured at fair value through profit or loss (Continued)

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The Group's policy is to recognise transfers between levels as at the end of the reporting period.

Movements in Level 3 fair value measurements

Description	**Private equity fund, unlisted**	
	2020	2019
	HK$'000	*HK$'000*
At beginning of the reporting period	**966**	1,137
Disposals	**(201)**	(171)
At end of the reporting period	**765**	966

Description of the valuation techniques and inputs used in Level 2 fair value measurement

The unlisted mutual funds are valued based on quoted market prices from dealers or by reference to quoted market prices for similar instruments.

Description of the valuation techniques and inputs used in Level 3 fair value measurement

The unlisted private equity fund's assets mainly comprise investment in unlisted companies in various industries (the "Investment") and the fair value of the Investment is estimated by the external fund manager by reference to a number of factors including the operating cash flows and financial performance of the Investment, trends within sectors and/or regions, underlying business models, expected exit timing and strategy and any specific rights or terms associated with the Investment.

Valuation processes of the Group

The Group reviews estimation of fair value of the unlisted private equity fund which is categorised into Level 3 of the fair value hierarchy. Reports with estimation of fair value are prepared by the external fund manager on a quarterly basis. Discussion of the valuation process and results is held between the chief financial officer and the Audit Committee twice a year, to coincide with the reporting dates.

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Year ended 31 December 2020

32. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Investment properties and leasehold land and buildings measured at fair value

	31 December 2020 *HK$'000*	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*
Investment properties				
Commercial – Hong Kong	**131,400**	**–**	**–**	**131,400**
Industrial – Singapore	**11,427**	**–**	**–**	**11,427**
Residential – Hong Kong	**17,600**	**–**	**–**	**17,600**
Commercial/Residential – United Kingdom	**124,696**	**–**	**–**	**124,696**
	285,123	**–**	**–**	**285,123**
Buildings				
Commercial – Hong Kong	**145,000**	**–**	**–**	**145,000**
Industrial – Hong Kong	**172,000**	**–**	**–**	**172,000**
Carpark – Hong Kong	**3,500**	**–**	**–**	**3,500**
	320,500	**–**	**–**	**320,500**

	31 December 2019 *HK$'000*	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*
Investment properties				
Commercial – Hong Kong	159,000	–	–	159,000
Industrial – Singapore	11,236	–	–	11,236
Residential – Hong Kong	18,300	–	–	18,300
Commercial/Residential – United Kingdom	157,896	–	–	157,896
	346,432	–	–	346,432
Buildings				
Commercial – Hong Kong	180,000	–	–	180,000
Industrial – Hong Kong	182,000	–	–	182,000
Carpark – Hong Kong	3,600	–	–	3,600
	365,600	–	–	365,600

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Year ended 31 December 2020

32. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Investment properties and leasehold land and buildings measured at fair value (Continued)

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The Group's policy is to recognise transfers between levels as at the end of the reporting period.

Movement in Level 3 fair value measurements

	Investment properties					
	2020			2019		
Description	Commercial/ residential units in Hong Kong *HK$'000*	Industrial units in Singapore *HK$'000*	Commercial/ residential units in the United Kingdom *HK$'000*	Commercial/ residential units in Hong Kong *HK$'000*	Industrial units in Singapore *HK$'000*	Commercial/ residential units in the United Kingdom *HK$'000*
At beginning of the reporting period	177,300	11,236	157,896	180,400	11,176	152,155
Revaluation surplus (deficit)	(28,300)	191	(36,648)	(3,100)	60	1,648
Exchange realignment	-	-	3,448	-	-	4,093
At end of the reporting period	149,000	11,427	124,696	177,300	11,236	157,896

Net revaluation deficit and exchange realignment are reported as changes of "revaluation deficit in respect of investment properties" in profit or loss and "exchange difference arising from translation of financial statements of overseas subsidiaries" in other comprehensive income respectively.

	Leasehold land and buildings			
	2020		2019	
Description	Commercial units in Hong Kong *HK$'000*	Industrial/ Carpark units in Hong Kong *HK$'000*	Commercial units in Hong Kong *HK$'000*	Industrial/ Carpark units in Hong Kong *HK$'000*
At beginning of the reporting period	180,000	185,600	179,000	196,600
Revaluation surplus (deficit)	(32,867)	(5,146)	3,121	(5,653)
Depreciation charge	(2,133)	(4,954)	(2,121)	(5,347)
At end of the reporting period	145,000	175,500	180,000	185,600

Net revaluation deficit is reported as "revaluation deficit of leasehold land and buildings" in other comprehensive income.

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Year ended 31 December 2020

32. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Investment properties and leasehold land and buildings measured at fair value (Continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring level 3 fair value measurements, are as follows:

Properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Property, plant and equipment			
Commercial units located in Hong Kong	Market value basis – Direct comparison approach	Market Unit rate is at about HK$27,000/sq.ft. *(2019: HK$33,900/sq.ft.)* saleable area, mainly taking into account time, floor, view, age, quality and size, adjustment basically range from about -17% to +25% *(2019: -8% to +25%)*, remains -17% to +25% *(2019: -8% to +25%)* if exclusive of the time adjustment factor, with the most significant adjustment at +25% *(2019: +25%)* on quality for one comparable.	If the market unit rate is 1% higher/lower, the fair value of the property will increase/decrease by about HK$1.3 million.
Roof of a commercial building located in Hong Kong	Market value basis – Direct comparison approach	Market Unit rate is at about HK$195,000/ft. *(2019: HK$210,000/ft.)* for the side with exposure/visibility. Adjustment factors mainly include time, location, frontage and layout, basically range from about -20% to +30% *(2019: same)*, remains -20% to +30% *(2019: same)* if exclusive of the time adjustment factor, with the most significant adjustment at +30% *(2019: same)* on location for one comparable.	If the +30% location adjustment is 1% higher/lower, while all the other variables were held constant, the fair value of the property will increase/decrease by about HK$0.1 million.
Industrial units located in Hong Kong	Market value basis – Direct comparison approach	Market Unit rate is at about HK$5,800/sq.ft. *(2019: HK$6,100/sq.ft.)* effective area, mainly taking into account time, floor, size, whole floor, loading headroom, layout and view, adjustment basically range from about -14% to +5% *(2019: -19% to +5%)*, remains -14% to +5% *(2019: -19% to +5%)* if exclusive of the time adjustment factor. Size is the most significant unobservable input, and adopted at 1.0% adjustment for every 2,000 *(2019: 1,500)* square feet difference in the size of the comparable.	If the adjustment for size is 0.1% higher/lower for every 2,000 square feet different in size, with other variables held constant, the fair value of the property will decrease/increase by HK$2.8 million/HK$2.4 million respectively.
Carpark units located in Hong Kong	Market value basis – Direct comparison approach	Market Unit rate is at about HK$1,750,000/car park *(2019: HK$1,800,000/car park)*, mainly taking into account time, location and floor, adjustment basically range from -9% to +0% *(2019: -7% to +0%)*, or -5% to 0% *(2019: -5% to 0%)* if exclusive of the time adjustment factor.	If the market unit rate is 10% higher/lower, the fair value of the property will increase/decrease by about HK$0.35 million.

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Year ended 31 December 2020

32. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Investment properties and leasehold land and buildings measured at fair value (Continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement (Continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring level 3 fair value measurements, are as follows: (Continued)

Properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Investment properties			
Commercial units located in Hong Kong	Market value basis – Direct comparison approach	Market Unit rate is at about HK$23,000/sq.ft. *(2019: 28,200/sq.ft.)* saleable area, mainly taking into account time, location, age, floor, size, whole floor, view and design/condition, adjustment basically range from -12% to +7% *(2019: -15% to +8%)*, remains -12% to +7% *(2019: -15% to +8%)* if exclusive of the time adjustment factor.	If the market unit rate is 1% higher/lower, while all the other variables were held constant, the fair value of the property will increase by about HK$0.5 million/decrease by about HK$0.6 million.
Commercial units located in Hong Kong	Market value basis – Direct comparison approach	Market Unit rate is at about HK$25,300/sq.ft. *(2019: 30,300/sq.ft.)* saleable area, mainly taking into account time, age, location, floor, view, size and condition, adjustment basically range from about -6% to +10% *(2019: same)*, or -6% to +8% *(2019: same)* if exclusive of the time adjustment factor.	If the market unit rate is 1% higher/lower, while all the other variables were held constant, the fair value of the property will increase/decrease by about HK$0.7 million.
Residential units located in Hong Kong	Market value basis – Direct comparison approach	Market Unit rate is at about HK$12,600/sq.ft. *(2019: HK$13,100/sq.ft.)* saleable area, mainly taking into account time, floor, view, orientation, size and noise, adjustment basically range from about -6% to +3% *(2019: -12% to +5%)*, remains -6% to +3% *(2019: -12% to +5%)* if exclusive of the time adjustment factor, for comparable within subject building.	If the market unit rate is 1% higher/lower, the fair value of the property will increase/decrease by HK$90,000.
Residential units located in Hong Kong	Market value basis – Direct comparison approach	Market Unit rate is at about HK$9,500/*sq.ft.* *(2019: HK$9,900/sq.ft.)* saleable area, taking into account time, floor, view, orientation and size, adjustment basically range from about -5% to +7% *(2019: -3% to +7%)*, remains -5% to +7% *(2019: -7% to +7%)* if exclusive of the time adjustment factor, for comparable within subject building.	If the market unit rate is 1% higher/lower, the fair value of the property will increase/decrease by about HK$90,000.
Industrial units located in Singapore	Market value basis – Direct comparison approach	Market unit rate is at about SGD560/*sq.ft.* after adjustment for direct comparable transaction *(2019: SGD560/sq.ft.)*	If the market unit rate is 10% higher/lower, the fair value of the property will increase/decrease by about SGD195,000

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32. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Investment properties and leasehold land and buildings measured at fair value (Continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement (Continued)

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring level 3 fair value measurements, are as follows: (Continued)

Properties	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Investment properties (Continued)			
Commercial units located in the United Kingdom	Traditional investment method of valuation	Market rent at a weighted average of £150/sq.ft. *(2019: £200/sq.ft.)*	A significant increase in the market rent would result in a significant increase in fair value, and vice versa.
		Equivalent yield at a weighted average of 4.75% *(2019: 4.5%)*	A significant increase in the equivalent yield would result in a significant decrease in fair value, and vice versa.
Residential units located in the United Kingdom	Capitalisation of receipts from granting lease extensions to occupational leaseholders of the residential units	Capital value at a weighted average of £925/sq.ft. *(2019: £1,000/sq.ft.)*	A significant increase in the capital value would result in a significant increase in fair value, and vice versa.

Valuation processes of the Group

The Group reviews the estimation of fair value of the investment properties and leasehold land and buildings. Valuations of investment properties and leasehold land and buildings are performed by independent professional qualified valuers at each interim and annual reporting date. Discussion of the valuation process and results is held between the chief financial officer and the Audit Committee twice a year, to coincide with the reporting dates.

33. EVENT AFTER THE REPORTING PERIOD

As at the end of the reporting period and up to the date of approval of these consolidated financial statements, the COVID-19 pandemic is still significantly affecting normal life and business environment on a world-wide scale adversely. Global economies have not shown any signs of recovery yet. It is anticipated that the pandemic will persist for a longer period until effective vaccines are available to contain its further spreading. As such, the directors estimate that the present levels of demand of the Group's product could only persist, if not worsening. The impact of the pandemic on the future financial performance of the Group could not be estimated as at the date of these financial statements. Meanwhile, the directors will continue to closely monitor the development of COVID-19 and will react proactively.

Notes to the Consolidated Financial Statements

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34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Investments in subsidiaries	34(a)	84,340	84,340
Deferred tax assets		1,021	–
		85,361	84,340
Current assets			
Deposits, prepayments and other debtors		288	284
Amounts due from subsidiaries		155,249	159,716
Tax receivable		20	1,730
Bank balances and cash		889	875
		156,446	162,605
Current liabilities			
Accrued charges and other creditors		387	708
Amounts due to subsidiaries		105,217	104,896
Dividends payable		761	7,302
		106,365	112,906
Net current assets		50,081	49,699
Total assets less current liabilities		135,442	134,039
Non-current liabilities			
Provision for directors' retirement benefits		6,188	4,689
NET ASSETS		129,254	129,350
Capital and reserves			
Share capital	25	15,582	15,582
Share premium and reserves	34(b)	113,672	113,768
TOTAL EQUITY		129,254	129,350

This statement of financial position was approved and authorised for issue by the Board of Directors on 30 March 2021 and signed on its behalf by

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) Investments in subsidiaries

Particulars of the Company's subsidiaries, all of which are private limited liability companies, are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of nominal value of issued ordinary share capital held by the Company		Principal activities
			Directly	*Indirectly*	
Biotech Marketing Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	–	100	Advertising agency
Hoe Hin Pak Fah Yeow (B. V. I.) Limited	British Virgin Islands/ Hong Kong	20,000 ordinary shares of US$1 each	100	–	Investment holding
Hoe Hin Pak Fah Yeow Manufactory, Limited	Hong Kong	22,000 non-voting deferred shares* and 2 ordinary shares	–	100	Manufacturing and sale of healthcare products and property investment
Pak Fah Yeow Advertising Company Limited	Hong Kong	2 ordinary shares	–	100	Inactive
Pak Fah Yeow Investment (Hong Kong) Company, Limited	Hong Kong	21,200,000 non-voting deferred shares* and 2 ordinary shares	–	100	Property and treasury investment
Princesland International Limited	British Virgin Islands/ United Kingdom	1 ordinary share of US$1	–	100	Property investment

* The non-voting deferred shares carry no right to receive notice of or attend or vote at any general meeting of these subsidiaries. They also carry very limited rights in respect of dividends and share of surplus assets upon winding up.

None of the subsidiaries had issued any debt securities during the year.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(b) Share premium and reserves

	Share premium HK$'000	Contributed surplus HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	21,997	67,708	11,842	12,444	113,991
Profit for the year	–	–	–	33,434	33,434
Transaction with owners:					
Distributions to owners					
Interim dividends declared	–	–	–	(21,815)	(21,815)
Final dividends proposed	–	–	11,842	(11,842)	–
2018 final dividend transferred to dividends payable	–	–	(11,842)	–	(11,842)
At 31 December 2019	21,997	67,708	11,842	12,221	113,768
At 1 January 2020	**21,997**	**67,708**	**11,842**	**12,221**	**113,768**
Profit for the year	**–**	**–**	**–**	**19,849**	**19,849**
Transaction with owners:					
Distributions to owners					
Interim dividends declared	**–**	**–**	**–**	**(8,103)**	**(8,103)**
Final dividends proposed	**–**	**–**	**11,842**	**(11,842)**	**–**
2019 final dividend transferred to dividends payable	**–**	**–**	**(11,842)**	**–**	**(11,842)**
At 31 December 2020	**21,997**	**67,708**	**11,842**	**12,125**	**113,672**

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares allotted on 28 November 1991 and the consolidated net assets of the subsidiaries then acquired.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(b) Share premium and reserves (Continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders. 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:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At the end of the reporting period, the Company's reserves available for distribution to owners of the Company are as follows:

	2020	2019
	HK$'000	*HK$'000*
Contributed surplus	**67,708**	67,708
Proposed dividend	**11,842**	11,842
Retained profits	**12,125**	12,221
	91,675	91,771

(c) Financial guarantees

At the end of the reporting period, the Company had issued corporate guarantees to banks for bank loans utilised by its subsidiaries amounting to HK$17,859,000 *(2019: HK$19,492,000)*. The Company has not recognised any deferred income for the financial guarantees as their fair value cannot be reliably measured and the transaction price was nil. The directors consider that the above financial guarantees are unlikely to materialise. No provision has therefore been made in this respect in the financial statements of the Company for any possible reimbursement to banks as a result of subsidiaries failing to repay.

Five-Year Financial Summary

Year ended 31 December 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	**2020** ***HK$'000***
Turnover	182,604	178,269	141,043	147,761	**109,343**
Profit (Loss) before taxation	73,903	112,903	43,723	44,262	**(33,861)**
Taxation	(12,704)	(10,314)	(6,443)	(8,216)	**(4,495)**
Profit (Loss) after taxation	61,199	102,589	37,280	36,046	**(38,356)**
Dividends	38,955	46,279	32,254	33,657	**19,945**
Earnings (Loss) per share	19.6 cents	32.9 cents	12.0 cents	11.6 cents	**(12.3 cents)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December				
	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	**2020** ***HK$'000***
Non-current assets	610,893	708,785	731,129	723,182	**617,293**
Net current assets	94,739	126,283	118,408	131,616	**147,368**
Non-current liabilities	(72,120)	(86,560)	(92,835)	(94,681)	**(91,469)**
	633,512	748,508	756,702	760,117	**673,192**
Share capital	15,582	15,582	15,582	15,582	**15,582**
Share premium and reserves	617,930	732,926	741,120	744,535	**657,610**
	633,512	748,508	756,702	760,117	**673,192**

Property Portfolio

Year ended 31 December 2020

INVESTMENT PROPERTIES

	Location	Tenure	Approximate floor area	Type	Group's interest (%)
1.	12th Floor Grand Building, Nos. 15-18, Connaught Road Central, Hong Kong	Two leases for 999 years respectively from 6 December 1899 and 24 December 1898	2,905 sq.ft.	Commercial	100
2.	7th Floor Lippo Leighton Tower, No. 103 Leighton Road, Causeway Bay, Hong Kong	Lease for 982 years from 25 June 1860	3,880 sq.ft.	Commercial	100
3.	13th Floor in Block B, North Point Mansion (Part), Nos. 692-702 King's Road and Nos. 27-29 Healthy Street East, Hong Kong	Lease for 75 years from 20 March 1933, renewable for another 75 years	905 sq.ft.	Residential	100
4.	Flat A on 4th Floor Hennessy Apartments, No. 48 Percival Street, Hong Kong	Lease for 982 years from 25 June 1860	715 sq.ft.	Residential	100
5.	No. 30 Kallang Pudding Road, No. 03-07 Valiant Industrial Building, Singapore, 349312	Freehold	323 sq.m.	Industrial	100
6.	Princess Court, 47-63 Queensway, London, W2, United Kingdom	Freehold	7,382 sq.ft.	Commercial/ Residential	100

LEASEHOLD LAND AND BUILDINGS

	Location	Tenure	Approximate floor area	Type	Group's interest (%)
1.	Roof of No. 84, Hing Fat Street, Hong Kong	Lease for 75 years from 15 May 1916, renewable for another 75 years	3,080 sq.ft.	Commercial	100
2.	11th Floor, 200 Gloucester Road, Wan Chai, Hong Kong	Lease for 99 years from 26 December 1928, renewable for another 99 years	7,388 sq.ft.	Commercial	100
3.	Units 1 to 13 on 2nd Floor, Paramount Building, No. 12 Ka Yip Street, Chai Wan, Hong Kong	Lease from 29 May 1987 to 30 June 2047	31,444 sq.ft.	Industrial	100
4.	Car parking Space, Nos. 13 and 14 on 1st Floor, Paramount Building, No. 12 Ka Yip Street, Chai Wan, Hong Kong	Lease from 29 May 1987 to 30 June 2047	133 sq.ft.	Carpark	100