
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in PT International Development Corporation Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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PT INTERNATIONAL DEVELOPMENT CORPORATION LIMITED

保 德 國 際 發 展 企 業 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 372)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO SUBSCRIPTION OF 65% EQUITY INTEREST IN THOUSAND VANTAGE INVESTMENT LIMITED; AND (2) NOTICE OF SPECIAL GENERAL MEETING

Unless the context otherwise requires, all capitalised terms used on this cover have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on page 4 to 28 of this circular.

A notice convening the SGM to be held at Room Soho 2, 6/F, IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Wednesday, 6th October, 2021 at 2:30 p.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange and the Company.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, precautionary measures will be implemented at the SGM, including but not limited to:

1. Compulsory body temperature screening/checks;
2. Wearing of surgical face mask for each attendee; and
3. No provision of refreshments, drinks or souvenirs.

Attendees who do not comply with the above precautionary measures may be denied entry to the SGM venue at the absolute discretion of the Company.

The Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy and to return their proxy forms by the time specified above, instead of attending the SGM in person.

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Accrued Amount”	all accrued and unpaid dividends on the Preference Shares up to the date of Completion
“Board”	the board of Directors
“business day”	means a day (excluding a Saturday) on which banks in Hong Kong are open for business in Hong Kong throughout their normal business hours
“Company”	PT International Development Corporation Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 372)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by Thousand Vantage Group
“Group”	the Company and its subsidiaries
“Guarantor” or “Mr. Zhu”	Mr. Zhu Bin
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	13th September, 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the management agreement dated 9th November, 2020 entered into between PT Investment and Thousand Vantage in relation to the provision of advisory, management and administrative services by PT Investment (or through other member(s) of the Group as appropriate) to Thousand Vantage Group

DEFINITIONS

“New Shareholders’ Agreement”	the shareholders’ agreement of Thousand Vantage to be entered into among the Subscriber, the Guarantor and Thousand Vantage upon Completion
“One-Belt-One-Road Initiative”	a significant development strategy launched by the PRC government with the intention of promoting economic co-operation among countries
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Subsidiary”	廣西廣明碼頭倉儲有限公司 (Guangxi Guangming Warehouse Storage Limited*), a company established in the PRC the equity interest of which is owned as to 75% by Thousand Vantage and as to 25% by 上海鑑宸實業發展有限公司 (Shanghai Jianchen Industrial Development Co., Ltd.*)
“Preference Shares”	the 100 non-voting redeemable preference shares of Thousand Vantage issued to the Subscriber pursuant to the subscription agreement dated 16th April, 2018 entered into among Thousand Vantage, the Subscriber and the Guarantor, and each a “Preference Share”
“PT Investment”	PT Investment Corporation Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“Redemption Amount”	the aggregate of subscription price for the Preference Shares, being HK\$200,000,000, and the Accrued Amount
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder
“Shareholder(s)”	the holder(s) of the issued share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	PT OBOR Financial Holdings Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“Subscription”	the proposed subscription of the Subscription Shares by the Subscriber under the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	the subscription agreement dated 29th March, 2021 entered into among the Subscriber, Thousand Vantage and the Guarantor in relation to the Subscription
“Subscription Price”	the subscription price for the Subscription Shares, being an amount equivalent to the Redemption Amount, payable by the Subscriber
“Subscription Shares”	a total of 668,571,429 new ordinary shares of Thousand Vantage, for which the Subscriber has agreed to subscribe and Thousand Vantage has agreed to allot and issue upon the terms and subject to the conditions to the Subscription Agreement
“Thousand Vantage”	Thousand Vantage Investment Limited, a company incorporated in Hong Kong with limited liability
“Thousand Vantage Group”	Thousand Vantage and its subsidiaries, including the PRC Subsidiary
“Valuer”	Jones Lang Lasalle, an independent professional valuer
“cbm”	cubic metres
“DWT”	deadweight tonne, which is a measure of how much weight a vessel can safely carry. DWT is the sum of the weight of cargo, fuel, fresh water, ballast water, provisions, passengers, and crew, and the term is often used to specify a vessel’s maximum permissible deadweight
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this circular, the exchange rate of RMB1.00 = HK\$1.19 has been used for currency translation, where applicable. Such exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such rate.

** In this circular, the English names of the PRC entity, licence and permit marked in asterisks are direct translations of their respective Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

LETTER FROM THE BOARD



PT INTERNATIONAL DEVELOPMENT CORPORATION LIMITED

保 德 國 際 發 展 企 業 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 372)

Executive Directors:

Mr. Ching Man Chun, Louis
(Chairman and Managing Director)
Ms. Xu Wei
Mr. Yeung Kim Ting
Mr. Heinrich Grabner

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Yam Kwong Chun
Mr. Wong Yee Shuen, Wilson
Mr. Lam Yik Tung

*Head office and principal place of business
in Hong Kong:*

Units 3412–13, 34/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

17th September, 2021

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO SUBSCRIPTION OF 65% EQUITY INTEREST IN THOUSAND VANTAGE INVESTMENT LIMITED

I. INTRODUCTION

Reference is made to the announcements of the Company dated (i) 16th April, 2018 in relation to the subscription of the Preference Shares by the Subscriber; (ii) 16th April, 2020 in relation to, among other things, the possible acquisition of equity interests in Thousand Vantage; and (iii) 9th November, 2020 in relation to the extension of the redemption date of the Preference Shares respectively.

* For identification purposes only

LETTER FROM THE BOARD

The Company further announced on 29th March, 2021 that the Subscriber, being a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Thousand Vantage and the Guarantor to subscribe for 668,571,429 new ordinary shares of Thousand Vantage at the Subscription Price, being the Redemption Amount which is the aggregate sum of the subscription price for the Preference Shares of HK\$200,000,000 and the Accrued Amount (for reference, the accrued and unpaid dividends on the Preference Shares up to 30th June, 2021 was approximately HK\$4,822,000).

The purpose of this circular is to provide you with, among other things, (i) details of the Subscription Agreement and the transactions contemplated thereunder; (ii) the financial information and other information of the Group; (iii) the financial information and other information of Thousand Vantage Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report on Thousand Vantage Group; and (vi) a notice of the SGM.

II. THE SUBSCRIPTION AGREEMENT

The major terms of the Subscription Agreement are set out below:

Date

29th March, 2021 (after trading hours of the Stock Exchange)

Parties

- (i) The Subscriber (as the subscriber for the Subscription Shares);
- (ii) Thousand Vantage (as the issuer of the Subscription Shares); and
- (iii) Mr. Zhu (the ultimate beneficial owner of Thousand Vantage, acting as the guarantor to guarantee the due and punctual performance of the obligations of Thousand Vantage under the Subscription Agreement).

To the best of the Directors' knowledge, information and belief, having making all reasonable enquiries, Thousand Vantage and its ultimate beneficial owner (i.e. the Guarantor) are third parties independent of and not connected with the Company and its connected persons. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between Mr. Zhu and the Company, any connected person at the Company's level, and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transaction).

LETTER FROM THE BOARD

Subject matter

Pursuant to the Subscription Agreement, Thousand Vantage has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the Subscription Shares, representing approximately 185.7% of all the issued ordinary shares of Thousand Vantage as at the Latest Practicable Date and approximately 65.0% of all the issued ordinary shares of Thousand Vantage as enlarged by the allotment and issue of the Subscription Shares. Upon Completion, Thousand Vantage will be held as to approximately 65.0% by the Group and approximately 35.0% by Mr. Zhu.

Further information of Thousand Vantage Group is set out in the paragraph headed “IV. Information of Thousand Vantage Group” below.

Subscription Price

Pursuant to the Subscription Agreement, the Subscription Price, which is equivalent to the Redemption Amount, shall be paid on Completion by way of offsetting against the Redemption Amount payable by Thousand Vantage for redemption of the Preference Shares issued by Thousand Vantage to the Subscriber on 16th April, 2018.

The Subscription Price was determined after arm’s length negotiations among the Company, Thousand Vantage and the Guarantor based on (i) the preliminary valuation of Thousand Vantage Group as assessed by the Valuer engaged by the Company as at 28th February, 2021 of approximately HK\$476.7 million with reference to the then available management accounts of Thousand Vantage; and (ii) the unaudited net asset value of Thousand Vantage Group as at 30th June, 2020 of approximately HK\$261.8 million. The preliminary valuation and net asset value attributable to the approximately 65.0% equity interest in Thousand Vantage were approximately HK\$309.9 million and approximately HK\$170.2 million, respectively.

Upon Completion, the Preference Shares will be fully redeemed and there will be no other preference shares of Thousand Vantage in issue.

Basis of valuation and methodology

Thousand Vantage is an investment holding company. Thousand Vantage’s main asset is its 75% shareholding in the PRC Subsidiary which is principally engaged in construction and operation of petrochemical terminals and warehousing services in Guangxi, the PRC.

The Valuer adopts the guideline public company method under market approach for the purpose of the valuation of Thousand Vantage Group. In coming to this decision, the Valuer and the Company had considered a number of approaches including the market approach, the cost approach and the income approach. The cost approach was considered inappropriate for valuing Thousand Vantage Group as it does not directly incorporate information about the economic benefits contributed by the PRC Subsidiary. The income approach was also considered inappropriate as this approach requires subjective assumptions over a long time horizon and the result may be very sensitive to certain inputs. Thus, the Valuer has adopted the market approach for the valuation of Thousand Vantage Group which introduces objectivity in application as publicly available inputs are used.

LETTER FROM THE BOARD

In the valuation of Thousand Vantage Group, the Valuer considered that the enterprise value to total assets multiple (the “**EV/Total Assets Multiple**”) is the most suitable benchmark multiple as it is commonly used for asset intensive industries and the profitability and value of the PRC Subsidiary is mainly attributable to the size and amount of the property, plant and equipment that enable the PRC Subsidiary to generate future economic benefit. The EV/Total Assets Multiple is calculated as enterprise value as at the valuation date divided by the total assets as at or close to the valuation date. Enterprise value is then adjusted by cash, non-operating assets and non-operating liabilities to arrive at the market value of Thousand Vantage Group.

Under the market approach, a list of comparable companies was identified according to the selection criteria including (i) the comparable companies shall engage in port operation and warehousing service focusing on crude oil and liquid chemicals in the PRC; (ii) the comparable companies are searchable in Bloomberg; (iii) the comparable companies are publicly listed; and (iv) there are available and sufficient data, including the market capitalisation, enterprise value and total assets as at the valuation date, of the comparable companies. Based on the above selection criteria, the Valuer identified four comparable companies which the Valuer considered fair and representative.

Based on the abovementioned methodology and selection criteria for comparable companies adopted by the Valuer, the final market value of 100% equity interest in Thousand Vantage Group as at 28th February, 2021 was approximately HK\$404.8 million. For details, please refer to Appendix V for the valuation report on Thousand Vantage Group.

The final valuation attributable to the approximately 65% equity interest in Thousand Vantage Group is approximately HK\$263.1 million.

Although the final valuation attributable to the approximately 65% equity interest in Thousand Vantage Group of HK\$263.1 million (the “**Final Attributable Value**”) is lower than the preliminary valuation attributable to the approximately 65% equity interest in Thousand Vantage Group by approximately HK\$46.8 million, the Subscription Price (which equals the Redemption Amount and is expected to be approximately HK\$204.8 million) still represents a significant discount of approximately 22.2% to the Final Attributable Value. The Directors (including the independent non-executive Directors), having taken into account of the Final Attributable Value and the significant discount represented by the Subscription Price, consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction or, if applicable, the waiver of the following conditions precedent:

- (i) where applicable, the passing of the requisite resolution by the Shareholders (other than those, if any, who are required to abstain from voting under the Listing Rules or applicable laws, rules and regulations) approving the Subscription Agreement and the transactions contemplated thereunder, including the New Shareholders’ Agreement, at the SGM to be convened for such purpose in compliance with the requirements of the Listing Rules;

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- (ii) each of the representations, warranties and undertakings given by Thousand Vantage under the Subscription Agreement being true and accurate in all material respects and not misleading as at the date of the Subscription Agreement and remaining true and accurate in all material respects and not misleading as at Completion; and
- (iii) no change, effect, event, occurrence or development of a state of circumstances or facts which has had or reasonably could be expected to have a material and adverse effect on the financial condition, prospects, earnings, business, operations, properties, liabilities, undertaking or assets of the PRC Subsidiary or Thousand Vantage Group taken as a whole (as the Subscriber may, in its sole and absolute discretion, determine) having occurred.

Neither Thousand Vantage nor the Subscriber may waive the condition precedent (i) above. The Subscriber may, without prejudice to any of its rights and remedies under the Subscription Agreement, at its discretion at any time waive in whole or in part any of the other conditions precedent.

If any of the conditions precedent is not fulfilled on or before the date falling on the expiry of six months from the date of the Subscription Agreement (which has been extended to 15th October, 2021 or such other date as the Subscriber and Thousand Vantage may agree in writing) and/or the conditions precedent (ii) and (iii) do not remain fulfilled up to the date of Completion, and is not (where applicable) waived by the Subscriber, the Subscription Agreement shall automatically terminate and none of the parties shall have any claim against the others under the Subscription Agreement except for antecedent breach.

As at the Latest Practicable Date, none of the conditions set out above has been fulfilled.

Completion

Subject to conditions precedent (ii) and (iii) remaining fulfilled, Completion shall take place on the third business day after the date on which the condition precedent (i) set out above having been fulfilled, or such other date and time as Thousand Vantage and the Subscriber may agree in writing.

Upon Completion, Thousand Vantage will become an indirect non-wholly-owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of Thousand Vantage Group will be consolidated into the accounts of the Group.

Termination of the Management Agreement

Reference is made to the voluntary announcement of the Company dated 9th November, 2020 in relation to, among other things, the entering into of the Management Agreement. Under the Management Agreement, the Group, through PT Investment (or through other member(s) of the Group as appropriate) shall provide advisory, management and administrative services to Thousand Vantage Group on a best effort basis. For details of the Management Agreement, please refer to the abovementioned announcement.

LETTER FROM THE BOARD

Upon Completion, the Group will become the controlling shareholder of Thousand Vantage Group and therefore trigger the termination clause pursuant to the terms of the Management Agreement. The Company will serve a written notice to Thousand Vantage Group as and when appropriate to terminate the Management Agreement.

The Group will directly advise, manage and provide administrative or other support to Thousand Vantage Group upon Completion in its capacity as the controlling shareholder of Thousand Vantage Group, and therefore the Management Agreement or any similar arrangement with another party will no longer be required.

New Shareholders' Agreement

On Completion, Thousand Vantage, the Subscriber and the Guarantor shall enter into the New Shareholders' Agreement, which shall regulate the rights and obligations between the Subscriber and the Guarantor in respect of their respective shareholding in Thousand Vantage and the operation and management of Thousand Vantage Group as from the date of Completion, to replace the existing shareholders' agreement dated 16th April, 2018. The major provisions of the New Shareholders' Agreement are set out below.

Directors:

The maximum number of directors of Thousand Vantage shall be seven, out of whom five shall be nominated and appointed by the Subscriber and so long as the Guarantor's shareholding in Thousand Vantage does not fall below 30%, the other two by the Guarantor.

All directors and other officers of the subsidiaries of Thousand Vantage which Thousand Vantage is entitled to nominate shall be nominated and appointed by the Subscriber.

Transfers of shares:

If a shareholder of Thousand Vantage wishes to dispose of its interest in Thousand Vantage to a third party, the other shareholder is entitled to a right of first refusal to purchase all (but not part) of the ordinary shares of and the shareholder's loan to Thousand Vantage which the transferring shareholder intends to dispose of on the same terms as offered by the third party. If the Subscriber is the selling shareholder and the other shareholder does not exercise its right of first refusal, the Subscriber has the right to require the other shareholder to sell all of its ordinary shares in Thousand Vantage to the proposed purchaser under the same terms and conditions (for the avoidance of doubts, the other shareholder does not have the same right vice versa).

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III. INFORMATION OF THE GROUP AND THE SUBSCRIBER

The Group, pursuant to its long-term strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the Group's invested companies, continued to strategically invest or hold significant interests, both directly or indirectly, in a portfolio of listed companies in Hong Kong and Korea and also high-potential private companies and funds, through equity instruments and debt financing, financial assets and securities. The Group is also principally engaged in trading of commodities (including copper, nickel, aluminium, and chemical and energy products), chemical storage business, provision of management services, financial institute business and loan financing services.

The Subscriber, a wholly-owned subsidiary of the Company, is an investment holding company.

IV. INFORMATION OF THOUSAND VANTAGE GROUP

Thousand Vantage is a company incorporated in Hong Kong with limited liability, the entire voting equity of which is wholly and beneficially owned by the Guarantor prior to Completion. Thousand Vantage holds 75% equity interest in the PRC Subsidiary, which is principally engaged in the provision of petrochemical port and storage service as well as port-related services and strategically located in South Western PRC. The remaining 25% equity interest in the PRC Subsidiary is held by 上海鑑宸實業發展有限公司 (Shanghai Jianchen Industrial Development Co., Ltd.*), which in turn is wholly owned by 京港聯興(北京)國際貿易發展有限公司 (Beijing Lianxing (Beijing) International Trading Development Co., Ltd.*) (“**Beijing Lianxing**”). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Beijing Lianxing and its ultimate beneficial owners, namely Mr. Chang Bin and Mr. Yan Jun, are third parties independent of and not connected with the Company and its connected persons.

The PRC Subsidiary was established in March 1995. It is primarily engaged in the business of handling and storage of liquid dangerous goods such as gasoline, diesel oil, mixed aromatics and fuel oil through operation of a terminal in 欽州港金谷區鷹嶺作業區 (“**Qinzhou Port**”) in Guangxi, the PRC (the “**Terminal**”). It holds the required licences and permits for the operation of the Terminal including a port operation permit (港口經營許可證) and Annexed Certificates for Hazardous Goods Operations at Ports (港口危險貨物作業附證), the current licence period of which are set out below:

Name of Licence	Licence Period
PRC Port Operation Permit (中華人民共和國港口經營許可證)	From 20 September 2020 to 3 March 2023
Annexed Certificate for Hazardous Goods Operations at Ports (港口危險貨物作業附證) for a berth with docking capacity of 50,000 DWT	From 20 September 2020 to 3 March 2023

LETTER FROM THE BOARD

Name of Licence	Licence Period
Annexed Certificate for Hazardous Goods Operations at Ports (港口危險貨物作業附證) for five storage tanks with volume of 6,700 cbm each	From 10 December 2019 to 10 December 2022
Annexed Certificate for Hazardous Goods Operations at Ports (港口危險貨物作業附證) for two storage tanks with volume of 2,000 cbm each	From 10 December 2019 to 10 December 2022
Annexed Certificate for Hazardous Goods Operations at Ports (港口危險貨物作業附證) for four storage tanks with volume of 6,700 cbm each	From 10 December 2019 to 10 December 2022
Annexed Certificate for Hazardous Goods Operations at Ports (港口危險貨物作業附證) for two storage tanks with volume of 6,700 cbm each	From 10 December 2019 to 10 December 2022
Annexed Certificate for Hazardous Goods Operations at Ports (港口危險貨物作業附證) for two storage tanks with volume of 30,000 cbm each	From 29 July 2021 to 3 March 2023
Annexed Certificate for Hazardous Goods Operations at Ports (港口危險貨物作業附證) for four storage tanks with volume of 20,000 cbm each	From 29 July 2021 to 3 March 2023
Annexed Certificate for Hazardous Goods Operations at Ports (港口危險貨物作業附證) for three storage tanks, including two storage tanks with volume of 30,000 cbm each and one storage tank with volume of 20,000 cbm	From 29 July 2021 to 3 March 2023

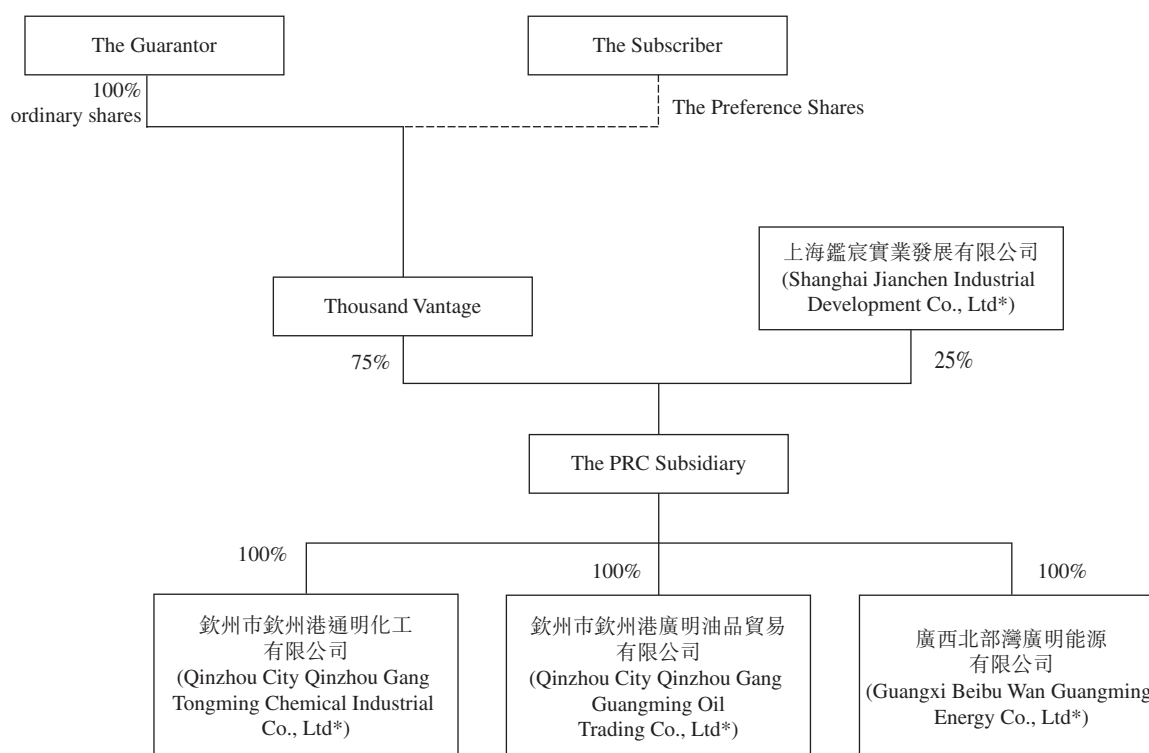
As advised by the Company's PRC legal adviser (i) all licenses required for the operation of the abovementioned berth and 23 storage tanks have been obtained; (ii) renewal of these licenses can be applied for 30 days before expiry of the relevant license periods; (iii) in the opinion of the PRC legal adviser, subject to conditions as may be imposed on the renewal and the fulfillment of the documentation requirements, there is no legal impediment in renewal of the said licences; and (iv) there is no requirements under PRC law that these licenses have to be re-applied for where there is a change in intermediate shareholder(s) of the PRC Subsidiary, and accordingly, the change in control of Thousand Vantage Group following the Subscription would not render these licences invalid. To the best of the Directors' knowledge, information and belief, Qinzhou Port is one of the busiest deep-water ports near Qinzhou Petrochemical Park ("QPP") in Guangxi, an international shipping hub in Southern China, and QPP is one of the top petrochemical parks in central-southern China.

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The PRC Subsidiary also owns 100% equity interests in each of the following three companies established in the PRC, namely 欽州市欽州港通明化工有限公司 (Qinzhou City Qinzhou Gang Tongming Chemicals Industrial Co., Ltd.*) which was principally engaged in trading of petrochemical products prior to April 2018, and 廣西北部灣廣明能源有限公司 (Guangxi Beibu Wan Guangming Energy Co., Ltd.*) and 欽州市欽州港廣明油品貿易有限公司 (Qinzhou City Qinzhou Gang Guangming Oil Trading Co., Ltd.*) which were inactive during the three years ended 31st December, 2020 and the three months ended 31st March, 2021.

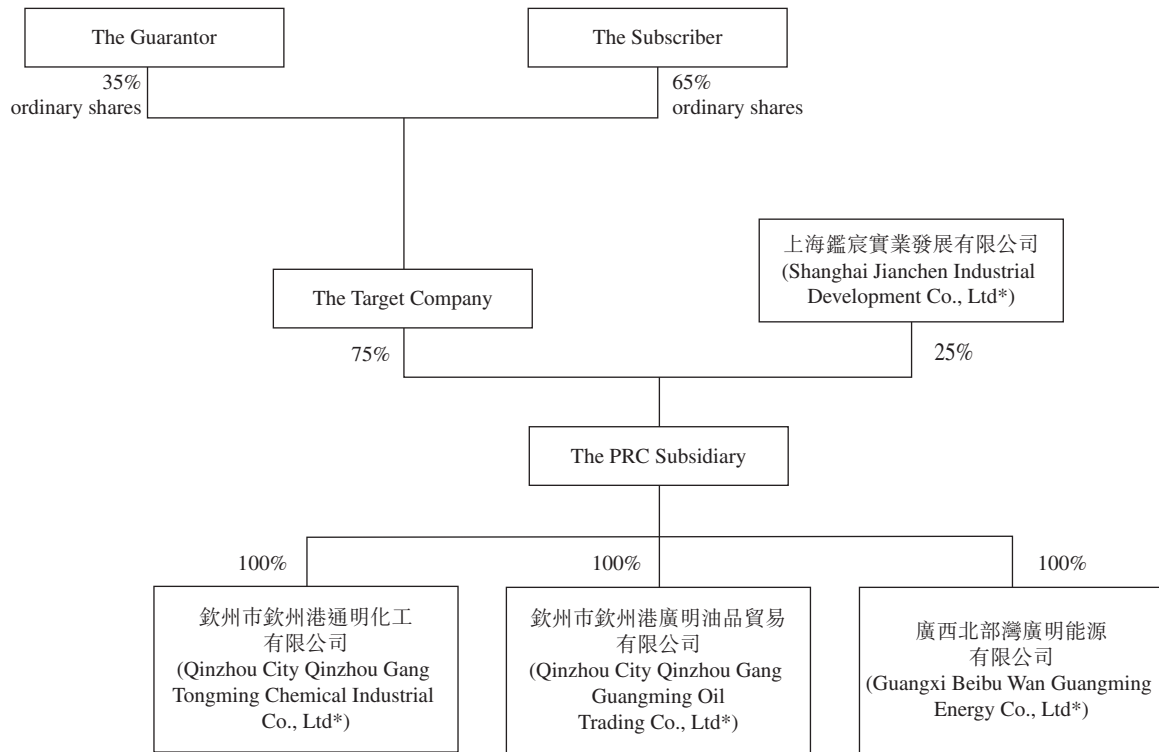
Set out below is the shareholding structure of Thousand Vantage Group (i) as at the date of the Subscription Agreement and the Latest Practicable Date; and (ii) immediately after Completion:

(i) as at the date of the Subscription Agreement and the Latest Practicable Date



LETTER FROM THE BOARD

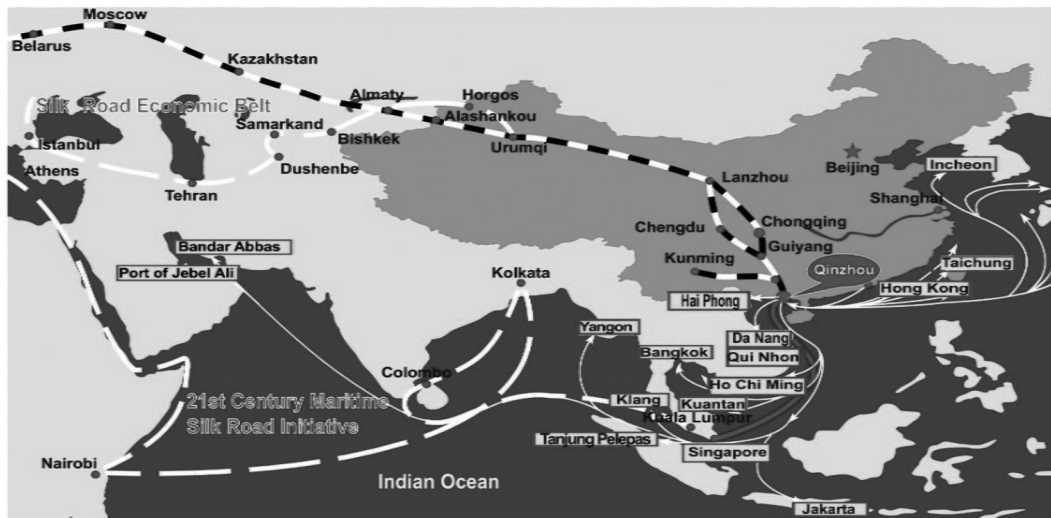
(ii) immediately after Completion



LETTER FROM THE BOARD

The Terminal

The Terminal is strategically located in Guangxi to benefit from the One-Belt-One-Road Initiative. Guangxi is positioned as an international corridor linking the ASEAN countries and a strategic pillar to support the growth of the southwest and mid-south regions. It offers accessibility to Central and Southeast Asia by rail instead of through Guangdong, which presents significant cost savings. It is also directly linked with China's national rail network, which enables accessibility from China to Europe through Central Asia in 15 to 18 days which is half the time needed by sea. For reference, a freight train departing from the Terminal can reach Guangzhou, Kunming, Chongqing and Wuhan in 7.5 hours, 11 hours, 13 hours and 16 hours respectively at a speed of 80 kilometres per hour. The Terminal is also one of the important ports in the region which gives expeditious accessibility to the countries located in South Asia by sea. For reference, at a speed of 16 knots per hour, a vessel departing from the Terminal can reach Hai Phong Port, Vietnam, in half a day; Singapore and Thailand in four to four and a half days; and Sri Lanka and Bangladesh in eight to nine days. A map showing the location of Qinzhou Port and the relevant transportation routes including the railway system and sailing route is set out below.



Benefitting from the well-connected railway systems in China, the reach of Thousand Vantage Group covers not only Guangxi but also other provinces including Guangdong, Sichuan, Yunnan and Guizhou. According to the statistics published by National Bureau of Statistics, the aggregated population in the abovementioned provinces in 2020 was more than 345 million, which was almost one-fourth of the total population of the PRC.

LETTER FROM THE BOARD

The Terminal currently has one berth with docking capacity of 50,000 DWT located on the southern side of Yingling Mountain in Qinzhou, Guangxi, the PRC, which has been in full operation since September 2020 (the “**New Berth**”) and 29 storage tanks. The New Berth is designed for handling around 2 million tonnes of petrochemical and energy products per annum.

Prior to the commencement of operation of the New Berth, the Terminal relied on the original berth with a capacity of 12,000 DWT for its operation. Deconstruction of the original berth began in October 2020 and was completed in May 2021 for the construction of the second berth with capacity of 50,000 DWT (the “**Second Berth**”). The Second Berth is designed to handle over 2 million tonnes of petrochemical and energy products per annum. The design of the Second Berth had been finalised and submitted to the local government for their approval. It is expected that the local government will approve the design in the fourth quarter of 2021. Thousand Vantage Group will then invite tender for construction of the Second Berth. The management expects that the construction of the Second Berth would take around 18 to 24 months post tender, and the expected completion date would be in the second half of 2023. The budget for the construction of the Second Berth is around RMB160 million to RMB170 million. Thousand Vantage Group has already obtained sufficient banking facilities to finance such construction and therefore the Group will not need to inject any additional capital for it. To the best of the Directors’ knowledge, information and belief after having made reasonable enquiries, Thousand Vantage Group does not require the Group to provide any guarantee for Thousand Vantage Group’s banking facilities to finance the construction of the Second Berth.

Among the 29 storage tanks, 23 tanks with total capacity of 327,700 cbm are in full operation. The remaining six newly built storage tanks are undergoing examination by the local government. Four of the new tanks with total capacity of 200,000 cbm are specialised for storage of crude oil which commands a higher storage price, and the other two new tanks with total capacity of 100,000 cbm are specialised for storage of petrochemical products. The management expects that the examinations will be completed by sometime in the last quarter of 2021 and the additional storage tanks will be in operation once the examinations are completed. By then, Thousand Vantage Group will be able to provide a total of 29 storage tanks with approximately 627,700 cbm of petrochemical and energy products storage capacity in aggregate. These 29 tanks, together, are expected to handle over 3 million tonnes of petrochemical and energy products per annum.

LETTER FROM THE BOARD

Business model

The PRC Subsidiary's current business operational model is ship-jetty-tank-truck for the import market. Essentially, customers transport petrochemical or oil products by vessel to the Terminal, use the PRC Subsidiary's berths and jetties for unloading their products, temporarily store their products in the PRC Subsidiary's storage tanks and transport their products to other locations in China by truck or rail. Thousand Vantage Group charges its customers berthing fees, storage fees and loading fees for the above services. Pictures of the Terminal are set out below.

Ship, jetty and tank-the New Berth and storage tanks



This picture shows the berth where ships moor to offload products via jetty to tank for storage.



This picture shows trucks loading products at station via pipes connected to storage tanks.

LETTER FROM THE BOARD

Tank-Truck loading station and rail loading terminal



This picture shows where products are loaded onto trains via pipes connecting to storage tanks.

Financial information

Set out below are certain key financial data of Thousand Vantage Group based on the audited consolidated financial information of Thousand Vantage Group for each of the three years ended 31st December, 2018, 2019 and 2020 and for the three months ended 31st March, 2021:

<i>HK\$' million</i> (Audited)	For the year ended 31st December,			For the three months ended 31st March,
	2018	2019	2020	2021
Revenue	52.2	37.4	79.3	18.7
Gross (loss) profit	(11.9)	(14.8)	15.7	1.9
(Loss) profit before taxation	(132.1)	59.8	(8.7)	(8.8)

<i>HK\$' million</i> (Audited)	As at 31st December,			As at 31st March,
	2018	2019	2020	2021
Total assets	1,264.8	1,282.9	1,258.4	1,170.5
Total liabilities	1,114.7	1,084.1	1,052.7	975.0
Net assets	150.1	198.8	205.7	195.5

For further details of the financial information of Thousand Vantage Group, please refer to the accountants' report on Thousand Vantage Group set out in Appendix II to this circular.

LETTER FROM THE BOARD

Management team

The Group, as a holder of the Preference Shares, has assigned certain senior officers of the Group including Mr. Ching Man Ho Paul (“**Mr. Paul Ching**”), Mr. Wang Shaolin (“**Mr. Wang**”), Mr. Heinrich Grabner (“**Mr. Grabner**”) and Ms. Chen Kui (“**Ms. Chen**”) to Thousand Vantage Group to participate in its daily operations. Their biographies are set out below:

Mr. Paul Ching has over 20 years of operational experience in the PRC. He joined the Group in 2017 as the President of the Group’s operations in China. He is currently the General Manager of Thousand Vantage Group and holds the PRC’s license for Hazardous Chemical Management as well as Qualifications for the Transportation of Dangerous Goods in Waterways as Main Safety Management Personnel. Prior to joining the Group, Mr. Paul Ching was the Financial Controller of Asian Professional Basketball Management and Development and the General Manager of World Chinese Enterprises & Development Limited, a PRC property developer. Mr. Paul Ching received his Bachelor Degree in Business Studies from Monash University of Australia.

Mr. Wang has over 36 years of oil terminal and storage business experience and has recently been assigned by the Group to Thousand Vantage Group as the Deputy General Manager and reports to the General Manager and the Board. Mr. Wang began his career with Dalian Harbor Engineering Group initially as a technician and engineer, later as stationmaster of the New Harbor Oil Depot where he oversaw the safety and daily production of the project. He then joined Odfjell Terminals of Norway as Production Manager and Engineering Security Manager where he acted as an overseas project manager assisting in auditing the group’s overseas projects and helped bring these projects to trial run status. He later worked on the Odfjell Terminals (Jiangyin) project where he planned, designed and managed the project. In 2012, he assisted Odfjell Terminals in designing and managing all aspects of their Nangang, Tianjin project. Mr. Wang received his Bachelor Degree in Industry Energy and Machinery from Northeast Dianli University, PRC.

Mr. Grabner joined the Group as a chief executive officer and responsible officer of Helios Asset Management (HK) Limited (“**Helios**”) in January 2018 and was subsequently appointed as an Executive Director of the Company in November 2019. He also acts as director of certain subsidiaries of the Company including Helios and Muhabura Capital Limited. Prior to joining the Group, Mr. Grabner held various senior positions in different investment banking, asset management and private banking companies. He has over two decades of investment management experience in the Asia Pacific region, including extensive experience in mergers and acquisitions, with a focus in finance, mining, energy and infrastructure. Mr. Grabner is now a non-executive director of Sonora Gold and Silver Corp (SOC.V), the shares of which are listed on the TSX Venture Exchange in Canada. Mr. Grabner received his Bachelor Degree in Economics and Chinese from The University of Michigan, the United States of America.

Ms. Chen joined the Group in 2018 as the Financial Controller and is responsible for overseeing the financial matters of the Group’s investments including Thousand Vantage Group. Ms. Chen started her career in the finance department of China Construction Bank Dongguan Branch and later became the Head of Finance of Guangzhou Branch of China Construction Bank Investment Co., Ltd. and General Manager of Dongguan Branch. She then joined China Cinda Asset Management Co., Ltd. and took the position as the Head of Finance of the Guangzhou office. Ms. Chen received her Bachelor Degree in Economics from Zhongnan University of Economics and Law, the PRC.

LETTER FROM THE BOARD

Apart from the above senior officers from the Group, Thousand Vantage Group's management team also includes Mr. Liang Zhiguang (“**Mr. Liang Z.**”) and Mr. Liang Yu (“**Mr. Liang Y.**”), with their biographies as follows:

Mr. Liang Z. joined Thousand Vantage Group in 2018 as a Deputy General Manager and is in charge of sale and marketing functions. Prior to joining Thousand Vantage Group, Mr. Liang Z. took the positions of a manager of Wufeng Bank, a manager of China Resources Group and the deputy general manager of Oriental Group Co., Ltd. Mr. Liang Z. received his Bachelor Degree in Finance from Donghua University, the PRC.

Mr. Liang Y. joined Thousand Vantage Group in 2012 as the Manager of Engineering and Construction and is responsible for the upgrade and expansion of Thousand Vantage Group's projects. His achievements in Thousand Vantage Group include the expansion of Thousand Vantage Group's storage tanks, the construction of the New Berth, the expansion of new piping around the project, renovation and upgrade of the rail and oil loading stations. Prior to joining Thousand Vantage Group, Mr. Liang Y. worked for Sichuan Chemical Holding Limited where he was responsible for the technical management of ships and terminal facilities at the port of Tianhua, the PRC. Mr. Liang Y. graduated from Chongqing Jiaotong University, the PRC, in 2009 with a Bachelor Degree in Engineering - Port Logistics Equipment and Automation.

The Company intends to retain Mr. Liang Z. and Mr. Liang Y. as members of Thousand Vantage Group's management team for the upcoming years.

Future prospects

Increase of imports of crude oil and diesel

According to the statistic published by the General Administration of Customs of the People's Republic of China, the import of crude oil, which is a major energy product, for Mainland China increased steadily from 8.4 million barrels per day in 2017 to 10.1 million barrels per day in 2019, and a further increase to 10.85 million barrels per day in 2020, representing a compound annual growth rate of approximately 8.9%. The Mainland China's imports of crude oil exceeded the imports of the United States of America and ranked first among the world for the first time in 2017. Mainland China remains the largest importer of crude oil with a daily import of approximately 10.6 million barrels of crude oil for the first half of 2021.

In view of the increasing demand for crude oil and diesel in Mainland China and the strategic location of the Terminal, the Directors expect that the financial performance of Thousand Vantage Group will continue to improve over the next few years.

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Fixed assets investments in Guangxi

In recent years, due to the environmental protection policies in Hebei and southeast coastal area, many manufacturing companies moved to Guangxi. According to 《2019年全區攻堅突破重點項目清單》 (List of key projects for breakthroughs in all regions in 2019*) published by the People's Government of Guangxi Zhuang Autonomous Region, hundreds of companies from different industries, including but not limited to manufacturing and infrastructures, will set up their production lines in Guangxi with a total investment amount of up to approximately RMB1.5 trillion (equivalent to approximately HK\$1.8 trillion). According to the National Bureau of Statistics, the fixed assets investment in Guangxi increased by more than 15% for the first five months in 2021 as compared to the corresponding period in 2020. In view of the substantial fixed asset investments in Guangxi, the throughput of the berths owned by Thousand Vantage Group is also expected to enjoy a high growth so as to accommodate the demands for energy and petrochemical products for meeting the needs from construction and manufacturing.

Population of Guangxi and neighbouring provinces

As petrochemical products are widely used in our daily life such as fuel for cars and planes, and production of plastic materials, cosmetics, and foods and drugs, consumption of petrochemical products is huge. As mentioned in the paragraph headed “The Terminal” under the section headed “Information of Thousand Vantage Group” above, benefitting from the well-connected railway systems in China, the coverage of Thousand Vantage Group includes not only Guangxi but also other provinces including Guangdong, Sichuan, Yunnan and Guizhou with more than 345 million aggregated population, which was almost one-fourth of the total population of the PRC. In light of the versatile applications of petrochemical and energy products and close proximity of Guangxi to Guangdong, Sichuan, Yunnan and Guizhou, Thousand Vantage Group will benefit from the large population and the economic growths in the abovementioned regions.

V. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

Background of the Subscription

As disclosed above, the Group has been pursuing a long-term strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the Group's invested companies, and the Group is also principally engaged in trading of commodities, chemical storage business, provision of management services, financial institute business and loan financing services.

The Group has been seeking for exposure towards oil and petrochemical sector which the Board believes will continue to be an important fuel in the growth engine of the PRC under the One-Belt-One-Road Initiative promoted by the government of the PRC. In 2017, the Group has commenced the commodities trading business having considered the significant market demand for metal products driven by the continuous growth of the Chinese economy.

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With the intended exposure towards oil and petrochemical sector in mind, the Group advanced a loan facility of HK\$200 million to the Guarantor, who is the ultimate beneficial owner of Thousand Vantage, in July 2017 (details of which are disclosed in the announcement of the Company dated 20th July, 2017). In April 2018, the Group subscribed for the Preference Shares of Thousand Vantage at the subscription price of HK\$200 million by utilising the proceeds from repayment of the aforesaid loan (details of which are disclosed in the announcement of the Company dated 16th April, 2018). Each Preference Share confers the Group the right to receive a cumulative fixed preferential dividend at the rate of 2% per annum of the subscription price thereof. As a term of the relevant subscription agreement, the Group was granted an exclusive right (the “**Revised Exclusive Right**”) during the period commencing from the date of issue of the Preference Shares up to the full payment of the Redemption Amount (or as may be extended) to purchase all or part of the issued ordinary shares of and all or part of the shareholder’s loan due by Thousand Vantage or to subscribe for new ordinary shares to be issued by Thousand Vantage.

To further consolidate the Group’s commodities trading business and advance to an integrated commodities trading firm, the Group has also invested in Yangtze Prosperity Development Limited (firstly as a loan in 2018, the outstanding amount of which was then capitalised for equity interest in 2019), which is in the course of setting up infrastructure for operating chemical storage at Yangkou Port, Jiangsu Province, the PRC; and STX Corporation Limited (“**STX Corp**”), a company listed on the stock exchange in Korea, which is principally engaged in energy trading, commodity trading, machinery and engine trading, and shipping and logistics, through AFC Mercury Fund in 2018.

The Subscription and the investments in Yangtze Prosperity Development Limited and STX Corp form part of the Group’s business strategy to establish the Group as an integrated commodities trading firm in Asia. The assets and resources of Thousand Vantage Group, Yangtze Prosperity Development Limited and STX Corp strengthen the Group’s ability in offering storage and transportation services to its suppliers and customers of the commodities trading business, and therefore significantly enhances the Group’s business profile and bargaining power in the commodities trading sector.

In line with the Group’s upstream integration strategy

The Board has always been of the view that investment in port-related operations remains a vital part of the growth of the Chinese economy and further believes that the petrochemical sector will yield better returns as compared with traditional cargo terminals. Accordingly, the Group decided to strategically move up on the supply chain of commodity trading to midstream investment in storage facilities, which are midstream assets that major commodity trading firms usually own.

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Commodity storage plays a vital economic role by helping to bring commodity markets back to balance in times of supply and demand shocks. Most of the largest global commodities trading firms have their own storage facilities. Trading firms earn arbitrage profits by releasing or increasing inventories while simultaneously creating offsetting positions in futures markets and gain a competitive advantage by maintaining inventories in their own facilities. As arbitrage opportunities are transient, the cost of even a short delay in obtaining goods can be considerable. Trading firms that store their commodities in facilities they do not own are not able to exploit such opportunities effectively or at all because traders need instant access to their assets to execute arbitrage successfully. Therefore, the rationale behind midstream assets ownership is the economic benefits from reducing the risks of the trading firms not being able to access their commodities timely (i.e. the transaction costs) by owning such assets. Ownership of storage facilities, especially petrochemical storage facilities due to the strict environmental standards, is particularly important for successful petrochemical trading; not only does it offer better arbitrage opportunities but also creates value-added to customers since it reduces their risk of lack of storage which the Group will usually package it as a complete deal. Such storage facilities are limited in supply, especially in Mainland China, since they are subject to stringent construction, safety requirements and ownership.

Synergy with the Group's commodities trading business

The Subscription would allow the Group to expand its midstream assets portfolio and own port and storage facilities in a strategic location in the PRC. The Group endeavours to optimise the synergistic effects between the Group's commodities trading business and Thousand Vantage Group's business by:

- (i) utilising Thousand Vantage Group's storage facilities to reduce the transaction cost and thereby enhance the price competitiveness of the petrochemical products offered by the Group to its customers. Having its own storage facilities, the Group will also be less restricted by the time and cost for transactions and transportation;
- (ii) holding actual reserve as inventory in Thousand Vantage Group's storage facilities to hedge the price risk and supply/demand exposures and optimise arbitrage opportunities; and
- (iii) approaching large petrochemical suppliers and customers with the capability of offering storage spaces owned by the Group through Thousand Vantage Group and Yangtze Prosperity Development Limited.

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The Subscription would also complete the Group's holistic chain of upstream and downstream services in relation to its commodities trading business. While the Group may leverage on STX Corp's fleet to offer secured and competitive shipping and logistics services to its customers where necessary, Thousand Vantage Group's berths and storage facilities enable the Group to provide certainty on loading, unloading and storage of its customers' petrochemical and energy products. Based on its experience, the Company believes that large petrochemical and energy products suppliers consider a commodity trading firm having security on berthing, storage and logistics services essential because the lack of or failure in securing any of the above services may potentially result in substantial loss since the cost of maintaining a vessel full of products in sea could be as high as US\$0.8 million a day including penalties. Therefore, the Group will be in a more advantageous position to negotiate and conduct businesses with large petrochemical and energy products suppliers with its secured source of ports, storage facilities and vessels.

Strategic location of the Terminal

As mentioned in the paragraph headed "The Terminal" under the section headed "Information of Thousand Vantage Group" above, the Terminal is strategically located in Guangxi to benefit from the One-Belt-One-Road Initiative introduced by the PRC government. In particular, energy connectivity infrastructure, being one of the most important strategic focuses of the One-Belt-One-Road Initiative, would drive the expansion of the scale of and the needs for domestic and international petrochemical ports and pipelines connectivity. Further, the 13th Five Year Plan (十三五規劃) of the PRC government places a focus on energy security of the country, and therefore progress will be accelerated in relation to (i) construction of strategic corridors for importing oil and gas; and (ii) construction of oil and gas storage facilities to increase capacity and peak saving ability. The location of the Terminal stands to benefit from the above global infrastructure development strategy and the national policy of the PRC government.

One-stop petrochemical port and ancillary services facilities in Guangxi

The Terminal is fully equipped with the New Berth with a capacity of 50,000 DWT, 29 storage tanks with approximately 627,700 cbm of petrochemical and energy products storage capacity in aggregate, truck loading stations, and rail loading terminal to provide integrated port and port-related services including loading and unloading of containers and cargo for international and domestic trades, berthing, unberthing, moorage services of vessels, container inspection at gate inside the port area and intra-port container transportation services. Construction of the Second Berth with a capacity of 50,000 DWT is expected to be completed in the second half of 2023.

To the best of the Directors' knowledge, information and belief, the PRC Subsidiary is the only entity in the form of a sino-foreign joint venture which owns petrochemical terminals and storage facilities in Guangxi. The Subscription represents a rare and valuable opportunity to the Group.

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The Group's in-depth knowledge of Thousand Vantage Group

As mentioned in the paragraph headed “Background of the Subscription” under the section headed “Reasons for and benefits of the Subscription” above, the Group, in achieving the upstream integration strategy in respect of its commodities trading business, strategically advanced a loan facility of HK\$200 million to the Guarantor in July 2017. In April 2018, the Group subscribed for the Preference Shares utilising the repayment proceeds from the aforesaid loan and was granted with the Revised Exclusive Right. In order to explore the potential of the energy industry in the PRC, the Group has assigned Mr. Grabner, Mr. Paul Ching and Ms. Chen to participate in the business operation of the PRC Subsidiary since the subscription of the Preference Shares in April 2018. The abovementioned senior officers of the Group are heavily involved in the formulation of the business strategy, business development and day-to-day operation of Thousand Vantage Group since their appointments and have therefore gained solid experience and knowledge in the operation of petrochemical port and storage business in the PRC. Particularly, they have dedicated tremendous efforts in assisting the PRC Subsidiary in the expansion of business scale by upgrading the management system, internal control, financial control and quality control of the daily operation, expediting the infrastructure expansion plan by closely supervising the execution, and improving utilisation rate of storage tanks by implementing effective repair and maintenance protocols. Their efforts are instrumental to the completions of the New Berth and the 300,000 cbm storage tanks, which have either passed inspection recently or are now under inspection, and the improvements in financial performance of Thousand Vantage Group as explained in the section headed “Information of Thousand Vantage Group” above. Since November 2020, the Group also entered into the Management Agreement, which gave it direct management control of Thousand Vantage Group, giving further exposure and understanding of Thousand Vantage Group's assets to the entire management team of the Group. As disclosed above, Mr. Wang, with over 36 years of experience in oil terminal and storage business, has also recently been assigned to the PRC Subsidiary to assist Mr. Paul Ching in overseeing the operations of the PRC Subsidiary.

In addition, Mr. Paul Ching, the General Manager of the PRC Subsidiary, holds the license for 危險化學品經營 (Hazardous Chemicals Management*) as required by 國家安全生產監督管理局 (State Administration of Work Safety*) of the PRC, which is a requirement imposed by law (i.e. 危險化學品經營許可證管理辦法 (Administrative Measures for Business Permits for the Operation of Hazardous Chemicals*)) on the key responsible person of an entity engaged in business relating to hazardous chemicals. The licensing requirement involves attending the required training and passing of an examination on relevant laws and regulations concerning hazardous chemical handling and management. The Directors consider the Group has now possessed the necessary management and operation expertise in the petrochemical port and storage business in the PRC.

Given the completion of the infrastructure improvement and the improving financial performance of Thousand Vantage Group after the assignment of the abovementioned senior officers to Thousand Vantage Group, the Directors consider that it is the most opportune time to convert the Preference Shares into a majority equity interest in Thousand Vantage to realise its strategy on upstream integration laid down as early as in 2017.

LETTER FROM THE BOARD

No further capital outlay from the Group

The Subscription Price would be entirely settled by way of offsetting against the Redemption Amount payable by Thousand Vantage for the redemption of the Preference Shares. Therefore, the Subscription would not involve any capital outlay or external borrowings of the Group or dilution in the shareholding of the existing shareholders in the Company.

In light of the aforementioned, the Directors consider that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms, and the Subscription is in the interests of the Company and the Shareholders as a whole.

VI. FINANCIAL EFFECT OF THE SUBSCRIPTION

Following Completion, Thousand Vantage will become an indirect non-wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Thousand Vantage Group will be consolidated into the Group's accounts.

Effects on earnings

As set out in the accountants' report on Thousand Vantage Group in Appendix II to this circular, the revenue of Thousand Vantage Group for the year ended 31st December, 2020 was approximately HK\$79.3 million. The net loss after taxation of Thousand Vantage Group for the same period was approximately HK\$8.7 million.

Based on the unaudited pro forma financial information as set out in Appendix IV to this circular, assuming that Completion had taken place on 1st April, 2020, the revenue of the Enlarged Group for the financial year ended 31st March, 2021 would have increased from approximately HK\$1,468.2 million to approximately HK\$1,543.5 million on a pro forma basis, and the profit before taxation of the Enlarged Group would have increased from approximately HK\$166.5 million to approximately HK\$228.6 million on a pro forma basis.

Effects on assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, the total assets of the Enlarged Group would have increased from approximately HK\$789.0 million to approximately HK\$1,751.9 million and the total liabilities of the Enlarged Group would have increased from approximately HK\$73.9 million to approximately HK\$845.0 million upon Completion.

The details of the financial effects of the Subscription on the profit or loss and comprehensive income, the financial position and the cash flows of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

LETTER FROM THE BOARD

VII. LISTING RULES IMPLICATIONS

As one of the relevant percentage ratios (as defined in the Listing Rules) in respect of the Subscription exceeds 100%, the Subscription constitutes a very substantial acquisition for the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

VIII. SGM

The SGM will be convened and held for the purposes of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder or any of its close associates has any material interest in the Subscription Agreement and the transactions contemplated thereunder. Accordingly, no Shareholder is required to abstain from voting on the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

A notice convening the SGM to be held at Room Soho 2, 6/F, IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Wednesday, 6th October, 2021 at 2:30 p.m. is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ptcorp.com.hk). Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

IX. PRECAUTIONARY MEASURES FOR SGM

In view of the ongoing coronavirus disease (COVID-19) pandemic and recent development for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to prevent attending Shareholders, staff and other stakeholders from the risk of infection:

- i. compulsory body temperature check will be conducted on every attendee at the entrance of the SGM venue;
- ii. every attendee is required to wear surgical face mask at all times in the SGM venue (please note that no masks will be provided at the SGM venue and attendees should bring their own masks);
- iii. no refreshments, beverage or souvenirs will be provided; and

LETTER FROM THE BOARD

- iv. appropriate distancing and spacing in line with the guidance from the Hong Kong SAR government will be maintained and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding.

In order to ensure the safety of the attendees at the SGM, the Company reserves the rights to deny entry into or require any person to leave the SGM venue if such person:

- i. refuses to comply with any of the above precautionary measures;
- ii. is having a body temperature of over 37.2 degree Celsius;
- iii. is subject to any quarantine prescribed by Hong Kong SAR government or had close contact with any person under quarantine; or
- iv. has any flu-like symptoms.

Shareholders are encouraged to consider appointing the chairman of the SGM as their proxy to vote on the resolution for them, instead of attending the SGM in person.

X. VOTING BY POLL

There is no Shareholder who has any material interest in the resolution in relation to the Subscription to be proposed at the SGM, and therefore no Shareholder is required to abstain from voting on such resolution. Pursuant to Rule 13.39 (4) of the Listing Rules, any vote of Shareholders at a general meeting (save for certain procedural or administrative matters) must be taken by poll. The chairman of the SGM shall therefore demand voting on the resolution set out in the notice of the SGM be taken by way of poll pursuant to article 79 of the Bye-laws of the Company. Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, will act as the scrutineer for the vote-taking in the SGM.

XI. RECOMMENDATION

The Directors are of the opinion that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms, and the Subscription is in the interests of the Company and the Shareholders as a whole. As such, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM in relation to the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

XII. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular, which contain further information on the Group, Thousand Vantage Group, the Enlarged Group and other information required to be disclosed under the Listing Rules.

By order of the Board
PT International Development Corporation Limited
Ching Man Chun, Louis
Chairman and Managing Director

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31st March, 2019, 2020 and 2021 are disclosed in the following documents which have been published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.ptcorp.com.hk) respectively. Please refer to the hyperlinks as stated below:

- pages 60 to 156 of the annual report of the Company for the year ended 31st March, 2019 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0726/ltn20190726241.pdf>)
- pages 62 to 152 of the annual report of the Company for the year ended 31st March, 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0715/2020071500005.pdf>)
- pages 72 to 158 of the annual report of the Company for the year ended 31st March, 2021 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0720/2021072000021.pdf>)

2. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

At the close of business on 31st July, 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

Bank and other borrowings

As at 31st July, 2021, the Enlarged Group had outstanding bank borrowing of approximately HK\$144,000,000 which is secured and guaranteed and other borrowing of approximately HK\$13,572,000 which is secured and unguaranteed. The outstanding bank and other borrowings are secured by the Enlarged Group's right-of-use assets and property, plant and equipment.

Lease liabilities

As at 31st July, 2021, the Enlarged Group had unsecured and unguaranteed lease liabilities of approximately HK\$474,465,000.

Contingent liabilities

As at 31st July, 2021, the Enlarged Group had no significant contingent liabilities except that one of the Enlarged Group's subsidiary has become a defendant in a legal action involving the outstanding payment together with accrued interests of RMB107,066,000 (equivalent to HK\$126,793,000) in relation to the fee for construction of the port's infrastructure from a construction company (the "Plaintiff") in the PRC (the "Legal Action"). The Enlarged Group is currently seeking legal advice and intends to defend and contest the Plaintiff's claims.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

Among the Plaintiff's claims of RMB107,066,000, the directors of Thousand Vantage Group consider RMB24,304,000 (equivalent to HK\$28,782,000) has been overcharged and therefore the possibility of this claim to be remote. The remaining claims under the Legal Action have been included in other payables as at 31st July, 2021.

General

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, as at 31st July, 2021, the Enlarged Group did not have any debt securities issued or outstanding or authorised or otherwise created but unissued, bank overdrafts, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, lease liabilities, guarantees or other material contingent liabilities.

3. WORKING CAPITAL OF THE ENLARGED GROUP

The Directors are of the opinion that, after taking into account the Subscription, available facilities, existing cash and bank balances and cash flow from operations, the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

The Company has obtained the relevant confirmations as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31st March, 2021, being the date to which the latest audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group

The COVID-19 pandemic coupled with the continued Sino-US trade tension has posed unprecedented challenges to both individuals and corporations across the globe. In the year ended 31st March, 2021 and when COVID-19 was gaining momentum globally, the Group had seen businesses, both large and small, suffered with many requiring financial lifelines to stay afloat. The various businesses of the Group have been severely affected as well. With travel restrictions implemented globally, many of the Group's new business initiatives have been delayed with business activities, and international meetings moved to virtual platforms, which is adequate but less than ideal.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

Given the economic backdrop in the year ended 31st March, 2021, the management of the Group (the “**Management**”) decided to take a more prudent approach and capitalised on an opportunity to increase its cash level by divesting out of a long-term investment. The Group was able to improve its overall financial performance and achieve a turnaround from net loss of approximately HK\$903.6 million for the year ended 31st March, 2020 to net profit of approximately HK\$166.5 million for the year ended 31st March, 2021. The Management has been formulating and refining its strategies with a prudent yet opportunistic approach. The Group expects that the global economic recovery will be an arduous process. The Management is ready to study any opportunities that will arise from the current economic circumstances.

Asia is expected to lead in the global economic recovery post-COVID-19, and the Group will continue to grow its commodities trading business. Through working with quality and stable suppliers and producers, the Group looks to increase its product range and enhance its profitability over time. The Group is also looking to enhance its value chain, lower costs and risks for the Group and its customers via offering financial tool to mitigate financial trade risk, expand upstream sourcing capabilities and other value-added services such as storage for certain commodities products. For example, through the growth in the Group’s management services business and investment holding business in companies engaging in port development, operation and provision of storage facilities, the Group is seeking to further solidify its position in ports and infrastructure management and broaden the income stream of the Group through the Management Agreement with Thousand Vantage. Moreover, since the Group has acquired a petrochemical trading licence in the PRC in June 2020, which permits the Group to trade over 50 petrochemical products in the PRC, the priority berthing rights granted to the Group under the Management Agreement can also facilitate the Group’s commodities trading business.

To enhance its value chain, the Group newly invested in Cupral Group Ltd. (“**Cupral**”), a company in the United Kingdom in April 2021. Cupral is to build a greenfield copper recycling plant to recycle copper cables locally to produce high-grade copper scraps. The products will benefit the environment and to meet the growing demand from the copper market. This investment is part of the Group’s effort in the diversification of type of commodities and geographical location of supply. Given that the Group is vertically integrated to the upstream of copper supply chain, the Group shall be able to lower the cost of goods sold to further enhance our gross profit and net profit margin performance. Copper scrap meets about 30 percent of total global copper demand according to the International Copper Association and it is one of the important feedstocks for copper refineries globally. Being one of the suppliers in raw materials to copper refineries, the Group can enhance its relationship with copper refineries which will help to grow the Group’s trading in refined copper and its by-products.

China is an important market in copper trade for the Group since it began the commodities trading, and China has allowed high-grade copper scrap imports and reclassify them as “resources”. With its own production, the Group will be able to strengthen its sales network in China to generate additional stable business and trading activities on a medium to long term basis. With the presence of the plant and the professional team in the United Kingdom, the Group also has the opportunity to expand its overall trading business from Asia Pacific to the United Kingdom and Europe.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

In respect of the financial institute business, the Group has actively extended its reach to different facets of the financial services sector so as to develop an all-rounded business. The Group has a stake in an investment banking subsidiary in Mauritius, Muhabura Capital Limited (“**Muhabura**”), by which having an opportunity to grow its business presence in the investment banking sector in Africa. In December 2020, Muhabura has obtained final approval of its investment banking license granted by Financial Services Commission in Mauritius. However, the COVID-19 pandemic and lockdown in Mauritius during the year ended 31st March, 2021 caused delays in the commencement of investment banking operations. Muhabura has already set up its physical branch in Mauritius with infrastructure in place and already equipped with human resources having appropriate competence in terms of operating team, legal, compliance and administration for operating investment banking business. The Group is confident in expediting business development by offering investment banking products to international clients in Africa. As to the insurance business, PT Insurance Brokers Company Limited (“**PT Insurance Brokers**”) will continue to offer more insurance products including life and general insurance by tapping on the opportunity of the Great Bay Area in long term.

The Group is in a healthy financial position and is confident to weather the severe economic downturn brought about by the COVID-19 pandemic. The Group will continue to adopt prudent funding and treasury policy in ensuring liquidity sufficient to ensure the financing requirements of Group companies are met within acceptable costs. The Group will strive to stay competitive and seek to maximise investors return during this turbulent period.

Thousand Vantage Group

The financial and trading prospects of Thousand Vantage Group are disclosed in the section headed “Business Prospects and Future Plans” in Appendix III to this circular.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the results of the Group for the three years ended 31st March, 2021. The information set out below is principally extracted from the “Management Discussion and Analysis” section of the relevant annual reports of the Company to provide further information relating to the financial condition and results of operations of the Group during the periods stated. These extracted materials speak as of the date they were originally published.

(i) For the year ended 31st March, 2019

BUSINESS REVIEW

Review of Financial Performance

For the year ended 31st March, 2019, the Group continued to principally engage in the businesses of investment holding, comprising strategic investments in PYI Corporation Limited (“**PYI**”), investments in other financial assets and securities, provision of finance, and property investments, and trading business of commodities.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

For the year ended 31st March, 2019, the Group's revenue decreased to HK\$1,785,780,000 (2018: HK\$1,984,368,000).

For the year ended 31st March, 2019, the Group reported a profit of HK\$277,056,000 attributable to the owners of the Company (2018: loss of HK\$36,828,000) and basic earnings per share of HK13.73 cents (2018: basic loss per share of HK2.16 cents). The gain for the year ended 31st March, 2019 was mainly due to (a) the fair value gain of a financial instrument, in particular, the Group's investment in AFC Mercury Fund with a gain of HK\$380,125,000, (b) a gain recognised from the disposal of two subsidiaries with a gain of HK\$27,492,000; partially offset by an impairment loss on interest in the Group's associate, PYI.

Listed Strategic Investments

PYI

Based in Hong Kong, PYI focuses on ports and infrastructure development and investment, and the operation of ports and logistics facilities, in the Yangtze River region of China. It also engages in land and property development and investment in association with ports and infrastructure development, as well as securities and treasury investment. In addition, PYI provides comprehensive engineering and property-related services through its associate Paul Y. Engineering Group Limited.

PYI recorded a profit attributable to the owners of HK\$49,208,000 for the year ended 31st March, 2019. The Group shared a profit of HK\$11,637,000 (2018: HK\$109,115,000) from PYI for the year ended 31st March, 2019.

The Group's interest in PYI is approximately 23.65% at 31st March 2019, and 31st March, 2018.

Provision of Finance

For the year ended 31st March, 2019, the Group's finance operation continued to contribute a profitable segment result of HK\$1,571,000 (2018: HK\$3,180,000) which decreased by 51% compared to last year. As at 31st March, 2019, the loans portfolio held by the Group amounted to HK\$39,000,000 (2018: HK\$200,000,000).

On 1 June 2018, PT Credit Limited, a wholly-owned subsidiary of the Company, as lender entered into a loan agreement with an independent third party, Eastern Yangtze Development (HK) Limited (subsequently renamed as Yangtze Prosperity Development (HK) Limited, "YPD(HK)"), agreed to provide a loan in the principal amount of US\$6,000,000 at an interest rate of 10% per annum, and simultaneously entered into a participation agreement with an independent third party (the "Participant"), pursuant to which the Participant participated in the loan in the principal amount of US\$1,000,000. The loan advanced by the Group amounted to US\$5,000,000 (approximately HK\$39,000,000) (the "Loan") was secured with a share charge on all the issued shares of the YPD(HK) and a debenture over all the undertakings, property, assets, goodwill, rights and revenues of YPD(HK).

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YPD(HK) is a limited liability company incorporated in Hong Kong with a wholly-owned subsidiary in the PRC which is in the course of setting up infrastructure for operating chemical storages in the Yangtze River Delta, and has an international management team with vast industry experience, including the former Head of China of a leading international petrochemical group operating in the PRC.

During the year ended 31st March, 2020, YPD(HK) repaid principal and interest in respect of the Loan of HK\$15,600,000 and HK\$3,900,000 respectively to the Group in cash. Pursuant to a loan capitalisation deed entered into between the Group and YPD(HK) (the “**Loan Capitalisation Deed**”), YPD(HK) issued and allotted 9,000,000 new shares to the Group in settlement for the outstanding principal of HK\$23,400,000 and outstanding interest of HK\$1,210,000 in respect of the Loan due from YPD(HK) to the Group. Upon completion of the aforesaid loan capitalisation, the Loan was fully settled.

Commodities Trading

During the year ended 31st March, 2019, the Group continued its trading business which focuses on the trading of commodities including copper cathodes, nickel briquettes and fishery products. The business generated a revenue of HK\$1,772,410,000 (2018: HK\$1,970,638,000) and recorded a segment loss of HK\$2,296,000 (2018: profit of HK\$633,000).

In light of the continuous growth of the Chinese economy, the Group is of the view that market demand for metal products will continue to grow. During the year ended 31st March, 2019, the Group maintained the metal trading businesses in Hong Kong and the PRC.

Shanghai Metal Products Business

For the year ended 31st March, 2019, the revenue arising from Bao Sheng (Shanghai) Trading Company*, an indirectly non-wholly owned subsidiary of the Company was approximately HK\$620,649,000 (2018: HK\$10,982,000).

This business segment is operated by an experienced management team located in Shanghai, with extensive and unique experience in the field of metal trading. The metal trading business generated a sizable revenue and market share for the year ended 31st March, 2019, and it also remains one of the main sources of income for the Group. The Group expects that revenue from this metal trading business will continue to grow, mainly attributable to the increasing market demand for metal and energy in the PRC, which will in turn boost the revenue of the Group from metal and energy trading.

Hong Kong Metal Products Business

For the year ended 31st March, 2019, the revenue arising from Ko Bon Metal Power Limited, an indirectly wholly-owned subsidiary of the Company, was approximately HK\$1,109,383,000 (2018: HK\$1,261,349,000).

* For identification purpose only

Sri Lanka Fishery Business

Regarding the fishery business, the Group had set up a wholly-owned subsidiary in Sri Lanka managed by a management team with dynamic and abundant experience. The subsidiary has prepared sufficient cold storage space, and is in the process of setting up the processing line, packaging factory and distribution center for its active development of fishery projects. Sri Lanka has the premium geographical location, plentiful resources and excellent natural environment for fishery business. It also has exclusive fishing and economic rights for an ocean area of 500,000 square kilometers and a coastal line of 1,700 km in addition to inland water bodies which makes fishery to be one of the promising industries in the country.

Under the One-Belt-One-Road strategy, the PRC government vigorously promotes the integration and development of fishery industry with the goal of enhancing quality and efficiency, increasing income with smaller production scale, green development and enriching fishermen by effectively shifting the focus of fishery industry from quantitative growth and scale expansion to qualitative development and green development. To align with the One-Belt-One-Road strategy, we will continue to look for different opportunities on expanding our fishery business segment such as exploring suitable operating locations in the PRC.

In light of the above, the management expects that the commodities traded by the Group have good prospects and the trading business will continue to contribute profitable results in the future.

Long-term Investment

For the year ended 31st March, 2019, the Group's long-term investment recorded a revenue of HK\$4,312,000 (2018: HK\$1,086,000) and a segment profit of HK\$384,437,000 (2018: HK\$1,022,000). At 31st March, 2019, the Group's long-term investment amounted to HK\$752,700,000 (2018: HK\$13,596,000). The segment revenue and the segment profit for the year ended 31st March, 2019 was mainly attributed to the interest income from convertible note, the preference shares dividend from Thousand Vantage and the unrealised gain from the AFC Mercury Fund.

In 2018, the Subscriber entered into a subscription agreement with Thousand Vantage, pursuant to which the Subscriber agreed to subscribe for, and Thousand Vantage agreed to allot and issue, the Preference Shares at the total subscription price of HK\$200,000,000. The Preference Shares confer the Subscriber the right to receive cumulative fixed preferential dividend at the rate of 2% per annum of the subscription price. The Preference Shares are guaranteed by Mr. Zhu who executed a share charge in favour of the Subscriber relating to all the shares of Thousand Vantage.

As Mr. Zhu was indebted to the Group in the amount of HK\$200,000,000 (included as loans receivable as at 31st March, 2018), the subscription price for the Preference Shares was settled by way of offsetting the loan due by Thousand Vantage (as novated from Mr. Zhu to Thousand Vantage pursuant to a deed of novation) to the Group. Accordingly, the loan receivable has been fully repaid.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

On 21st June, 2018, the Group entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for shares of a private equity fund established in Korea (the “**Fund**”), as a limited partner, for an aggregate consideration of US\$20,000,000 (equivalent to approximately HK\$156,000,000) in cash. The Fund principally invests in shares of companies listed on the Korea Exchange, principally STX Corp. STX Corp is primarily engaged in the business of energy trading, commodity trading, machinery and engine trading, and shipping and logistics. The shares of the Fund held by the Group represent approximately 29.71% of the issued share capital of the Fund as at 31st March, 2019.

The Board is of the view that the investment was fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. The Group has endeavoured in exploring opportunities for potential investments for business diversification, with a view to generating income and achieving better return for its Shareholders. The Directors consider that the investment would provide the Group with an opportunity to diversify its investment portfolio and hence a diversified return.

On 28th September, 2018, the Group was no longer interested in Great Intelligence Limited and Large Scale Investments Limited, which are mainly engaged in investment holding in equity interest in Burcon Nutra Science Corporation (“**Burcon**”) and convertible note issued in Burcon, and the Company recorded a gain on the disposal of approximately HK\$27,492,000 which the Directors are of the view that it can greatly enhance the cash flow of the Group and improve its financial strength and liquidity, and therefore would allow the Group to allocate more resources in exploring other potential business opportunities.

In December 2018, the Group entered into a subscription agreement with CEC Asia Media Group L.P. (“**CEC Fund**”) pursuant to which the subscriber agrees to subscribe into the fund as a limited partner for an aggregate consideration of US\$2,000,000 in cash. The fund was organised primarily to invest in Global K Centre Limited and Lionheart Entertainment Asia Limited and other strategical investment in relation to media, artist and beauty training academy in South Korea.

Other Investment

For the year ended 31st March, 2019, the Group’s other investment contributed nil segment revenue (2018: HK\$251,000) and a segment loss of HK\$82,000 (2018: HK\$380,000).

As at 31st March, 2019, the Group’s equity investments portfolio amounted to HK\$6,576,000 (2018: HK\$4,999,000) and comprised of shares in a company listed in Hong Kong (2018: listed in Hong Kong).

Others

For the year ended 31st March, 2019, the Group's other business contributed a segment revenue of HK\$5,688,000 (2018: HK\$8,483,000) and a segment loss of HK\$21,375,000 (2018: profit of HK\$30,969,000). At 31st March, 2019, the Group's other business mainly represented the leasing of investment properties and provision of management services. During the year ended 31st March, 2019, the Group continues to receive a stable property rental income of HK\$2,983,000 (2018: HK\$4,800,000) from leasing of office premises and hotel strata lots located in Canada and management service income of HK\$2,692,000 (2018: HK\$3,316,000) from provision of property agency service in Canada. The segment loss for the year ended 31st March, 2019 was mainly due to a decrease in fair values of investment properties of HK\$18,142,000 (2018: increase of HK\$29,199,000).

FINANCIAL REVIEW**Liquidity and Financial Resources**

As at 31st March, 2019, the Group has total assets of HK\$1,488,165,000 (2018: HK\$1,428,455,000) represented an increase of approximately 4% when compared with the last year. The increase was mainly due to an investment in a financial instrument.

As at 31st March, 2019, equity attributable to owners of the Company amounted to HK\$1,472,608,000 (2018: HK\$1,282,153,000), representing an increase of HK\$190,455,000 or 15% as compared to 31st March, 2018 which was mainly due to the fair value gain of a financial instrument.

The Group continued to adopt a prudent funding and treasury policy to manage its liquidity needs. The objective is to maintain adequate funds for financing working capital and capture investment opportunities as and when they become available.

As at 31st March, 2019, current assets and current liabilities of the Group were HK\$186,571,000 (2018: HK\$623,529,000) and HK\$10,758,000 (2018: HK\$127,120,000) respectively. Accordingly, the Group's current ratio was about 17 (2018: 5).

Use of Proceeds from Shares Placement

On 16th March, 2018, a total of 330,000,000 new shares of the Company have been placed by a placing agent to not less than six independent placees at the price of HK\$0.42 per share (the "Share Placing"). The gross and net proceeds after deducting the placing commission and other related expenses from the Share Placing are HK\$138,600,000 and approximately HK\$134,342,000 respectively. As at 31st March, 2019, the net proceeds were fully utilised as to (i) approximately HK\$100,000,000 for financing the expansion of the commodity trading business of the Group; and (ii) the rest as working capital for the other businesses of the Group and for general corporate purpose.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

Gearing Ratio

As at 31st March, 2019, the Group had bank deposits, bank balances and cash of HK\$65,553,000 (2018: HK\$281,996,000) and nil bank and other borrowings (2018: HK\$14,277,000). The Group's gearing ratio was zero at 31st March, 2019 and 31st March, 2018 as the Group was in net cash position. The gearing ratio is calculated on the basis of net borrowings over the equity attributable to owners of the Company. Net borrowings are arrived at by deducting bank deposits, bank balances and cash from bank borrowings.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars, Canadian dollars, Renminbi and United States dollars. During the year ended 31st March, 2019, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes. However, the management monitors foreign exchange exposure from time to time. Appropriate measures would be undertaken by the Group when exchange rate fluctuations become significant.

Pledge of Assets

As at 31st March, 2019, nil investment properties (2018: HK\$17,694,000) were pledged by the Group to secure a bank loan granted to the Group.

Contingent Liabilities

As at 31st March, 2019, the Group had no significant contingent liabilities (2018: nil).

Capital Commitments

As at 31st March, 2019, the Group had no significant capital commitments (2018: nil).

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended 31st March, 2019 (2018: nil).

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EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2019, the Group had a total of 61 employees in Hong Kong, the PRC and Sri Lanka (2018: 30 employees). The Group's remuneration policy is to ensure that the Group's remuneration structure is appropriate and aligns with the Group's goals and objectives. The employees' remuneration is based on the employees' skill, knowledge and involvement in the Company's affairs and is determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company. The Group also offers benefits to employees including discretionary bonus, training and provident funds. The share option scheme of the Company is established for the eligible participants (including employees). No share options were granted during the year ended 31st March, 2019 and there were no outstanding share options as at 31st March, 2019 and as at 26th June, 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As at 26th June, 2019, the Group entered into a sale and purchase agreement pursuant to which the Group agreed to sell its entire equity interests in certain subsidiaries for a cash consideration of approximately Canadian Dollars 6,000,000 (representing approximately HK\$35,268,000).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2019. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

(ii) For the year ended 31st March, 2020**BUSINESS REVIEW****Review of Financial Performance**

For the year ended 31st March, 2020, the Group continued to principally engage in the businesses of investments holding, comprising i) strategic investments in PYI and one newly acquired project in the PRC held by YPD(HK), which has been granted a sea area use right in respect of a parcel of reclaimed land constructed on the relevant sea plot in Yangkou Port, Nantong, the PRC and is in the course of constructing infrastructure for operating chemical storage and related facilities thereon; ii) trading of commodities; iii) investments in other financial assets and securities; iv) provision of finance; and v) property investments.

Revenue of the Group for the year ended 31st March, 2020 decreased to HK\$1,252,461,000 under unfavorable market conditions (2019: HK\$1,785,780,000). The Group reported a loss of HK\$902,258,000 attributable to the owners of the Company (2019: a profit of HK\$277,056,000) and basic loss per share of HK\$44.70 cents (2019: basic earnings per share of HK\$13.73 cents). The loss for the year ended 31st March, 2020 was mainly due to (a) an unrealised fair value loss of the Group's investment in AFC Mercury Fund of approximately HK\$373,271,000; (b) an impairment loss on interest in the Group's associate, PYI, of approximately HK\$345,687,000; and (c) the share of the loss results of PYI of approximately HK\$135,334,000.

The abovementioned unrealised fair value loss (which was non-cash in nature) or impairment loss do not have any impact on the operating cash flows of the Group and the Board remains positive on the prospects of the Group.

Listed Strategic Investments***PYI (owned as to approximately 23.65% interest by the Group)***

Based in Hong Kong, PYI focuses on ports and infrastructure development and investment, and the operation of ports and logistics facilities, in the Yangtze River region of China. It also engages in land and property development and investment in association with ports and infrastructure development, as well as securities and treasury investment. In addition, PYI provides comprehensive engineering and property-related services through its associate Paul Y. Engineering Group Limited.

PYI recorded a loss attributable to the owners of HK\$572,268,000 for the year ended 31st March, 2020. The Group shared a loss of HK\$135,334,000 (2019: share of profit of HK\$11,637,000) from PYI for the year ended 31st March, 2020.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

PYI is used to generating stable income to the Group by way of making dividend payments in the past. However, in the last four years, PYI has not contributed any dividend income to the Group. The Group anticipated that PYI will continue to focus on divesting its ports and logistics business and refocus on other bulk commodities businesses with higher growth potential, in particular the liquefied natural gas business, rather than to return the gain on divestment to shareholders through declaration of dividends in the foreseeable term. As at 31st March, 2020, the Group was in the process of disposing of its entire equity interests in PYI. Subsequent to the end of the reporting period, the Group was offered a good opportunity to realise the majority of its investment in PYI. On 7th April, 2020, the Group entered into a conditional agreement with an independent third party for the disposal of its 19.57% equity interests in PYI (the “Disposal”) at a consideration of HK\$181,440,000, subject to adjustments.

As a conditional precedent to the Disposal, the Group has agreed to place the remaining 4.08% equity interests in PYI to independent third parties by way of placing before completion of the Disposal (the “Placing”), after which the Group will no longer hold any shares of PYI after the Placing and the Disposal. Up to 29th June, 2020, the Placing has been completed. The condition precedent to the Disposal has been fulfilled and the Disposal will be completed in due course*. The Placing and the Disposal are expected to result in a gain on disposal of the Group’s interest in associate and the Group is in the process of finalising the financial impact on the disposal of the associate.

Jiangsu Hong Mao (江蘇宏貿倉儲) (owned as to 90% by the Group)

During the year ended 31st March, 2020, the Group made a strategic investment through acquiring a project in the PRC. In September 2019, the Group had entered into the Loan Capitalisation Deed with YPD(HK), pursuant to which YPD(HK) issued and allotted 9,000,000 new shares to the Group in settlement for the outstanding loan receivable of HK\$23,400,000 and outstanding interest receivable of HK\$1,210,000 due by YPD(HK) to the Group. Upon completion of the transaction, the Group has obtained control over YPD(HK) and its subsidiary and YPD(HK) and its subsidiary have become subsidiaries of the Group.

YPD(HK) is incorporated in Hong Kong and is an investment holding company which in turn owns the entire equity interest in 江蘇宏貿倉儲有限公司 (formerly known as 江蘇濱渡化工倉儲有限公司), which has been granted a sea area use right in respect of a parcel of reclaimed land constructed on the relevant sea plot in Yangkou Port, Nantong, the PRC and is in the course of constructing infrastructure for operating chemical storage and related facilities thereon.

Such investment reinforces the Group’s commitment towards sustainable development and it will broaden the income stream of the Group in the near future. This business segment has not commenced operation as at 31st March, 2020.

* As disclosed in the Company’s announcement dated 6th July, 2020, the Disposal has been completed on 6th July, 2020.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

Commodities Trading

During the year ended 31st March, 2020, the Group continued its trading business which focuses on the trading of commodities including copper cathodes, nickel briquettes, aluminium and fishery products. The business generated a revenue of HK\$1,244,356,000 (2019: HK\$1,772,410,000) and recorded a segment loss of HK\$6,012,000 (2019: HK\$2,296,000).

The Group maintained the metal trading business in Hong Kong and Shanghai. This business segment is operated by experienced management teams located in both locations, with extensive and unique experience in the field of metal trading. The metal trading business remains one of the main sources of income for the Group. During the year ended 31st March, 2020, the commodities market came to a standstill resulting in a decline of overall revenue. It was mainly due to US-China trade war tension which continued to further weaken the manufacturing sectors in China and Asia. In the fourth quarter of the year ended 31st March, 2020, the outbreak of the coronavirus pandemic has notable effects on economic activities and transportations around the world. Compared with the year in 2019, there was a slowdown in trading activities in China's and Hong Kong's commodities market. The management was monitoring the situation and the credit exposures in commodities markets and put measures in place to mitigate the risks arising from the impact of the COVID-19 pandemic.

Long-term Investment

During the year ended 31st March, 2020, the Group's long-term investment recorded a revenue of HK\$4,011,000 (2019: HK\$4,312,000) and a segment loss of HK\$376,199,000 (2019: segment profit of HK\$384,437,000). As at 31st March, 2020, the Group's long-term investment amounted to HK\$352,771,000 (2019: HK\$752,700,000). The segment revenue and the segment loss for the year ended 31st March, 2020 was mainly attributed to the dividend income of the preference shares in Thousand Vantage and the unrealised fair value loss from the AFC Mercury Fund, respectively.

Thousand Vantage

In April 2018, the Group entered into a subscription agreement with Thousand Vantage pursuant to which the Subscriber, agreed to subscribe and Thousand Vantage as an issuer, agreed to allot and issue the Preference Shares at a total subscription price of HK\$200,000,000. The Preference Shares confer the Group the right to receive cumulative fixed preferential dividend at a rate of 2% per annum of the subscription price up to the redemption date of 16th April, 2020. The Preference Shares are guaranteed by the Guarantor who has executed a share charge in favour of the Group relating to all shares of Thousand Vantage.

During the year ended 31st March, 2020, dividends arising on the Preference Shares amounting to HK\$4,011,000 (2019: HK\$3,836,000) are recognised in profit or loss as interest income from investments (included in revenue).

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

As disclosed in the Company's announcement dated 16th April, 2018, Thousand Vantage shall redeem the Preference Shares on 16th April, 2020 and the Guarantor granted the Group an exclusive right during the period commencing from the date of the issue of the Preference Shares up to the full payment of the redemption price, as may be extended by agreement between the parties from time to time to purchase all or part of the issued ordinary shares of and all or part of shareholder's loan due by Thousand Vantage or to subscribe for new ordinary shares in Thousand Vantage. The Board is currently negotiating with the Guarantor and Thousand Vantage in relation to the acquisition of equity interests in Thousand Vantage, whereby the consideration of which will possibly be offset by the redemption price of HK\$200,000,000. Such potential transaction, if materialised, will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. As at 29th June, 2020, the Group has not entered into any agreement with Thousand Vantage and the Guarantor in relation to extension of the preference shares.

AFC Mercury Fund

In June 2018, the Group, through its subsidiary, entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for shares in AFC Mercury Fund, as a limited partner, at an aggregate consideration of US\$20,000,000 (equivalent to approximately HK\$156,000,000). The AFC Mercury Fund principally invests in shares of companies listed on the Korea Exchange, principally STX Corp (stock code: 011810). STX Corp is primarily engaged in the business of energy trading, commodity trading, machinery and engine trading, and shipping and logistics. The shares of the AFC Mercury Fund held by the Group represent approximately 29.71% of the issued share capital of the AFC Mercury Fund as at 31st March, 2020.

During the year ended 31st March, 2020, an unrealised fair value loss of HK\$373,271,000 (2019: fair value gain of HK\$380,125,000) was recognised in profit or loss.

CEC Asia Media

In December 2018, the Group, through its subsidiary, entered into a subscription agreement with CEC Fund pursuant to which the Group agreed to subscribe for shares in CEC Fund, as a limited partner, at an aggregate consideration of US\$2,000,000 (equivalent to approximately HK\$15,600,000). The fund was organised primarily to invest, directly or indirectly, in Global K Centre Limited and Lionheart Entertainment Asia Limited and other strategic investment in relation to media, artist and beauty training academy based in South Korea. The shares of CEC Fund held by the Group represent 20% of the issued share capital of CEC Fund.

During the year ended 31st March, 2020, an unrealised fair value loss of HK\$3,927,000 (2019: nil) was recognised in profit or loss.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

Provision of Finance

For the year ended 31st March, 2020, the Group's loan financing operation continued to contribute a profitable segment result of HK\$3,240,000 (2019: HK\$1,571,000) which increased by 106% compared to last year. As at 31st March, 2020, the loan portfolio held by the Group was nil (2019: HK\$39,000,000).

Other Investment

During the year ended 31st March, 2020, the Group's other investment contributed nil segment revenue (2019: nil) and a segment loss of HK\$1,157,000 (2019: HK\$82,000).

As at 31st March, 2020, the Group's equity investments portfolio amounted to HK\$6,109,000 (2019: HK\$6,576,000) and constituted of shares in a company listed in Hong Kong.

Others

During the year ended 31st March, 2020, the Group's other business contributed a segment revenue of HK\$831,000 (2019: HK\$5,688,000) and a segment loss of HK\$5,000 (2019: HK\$21,375,000). Revenue in this segment was derived from leasing of office premises and hotel strata lots and provision of property agency service, through Illuminate Investment Group which was principally engaged in the holding of an office premise in Canada to earn rentals and the provision of management and other related services.

During the year ended 31st March, 2020, the Group recorded a property rental income of HK\$203,000 (2019: HK\$2,983,000) and management service income of HK\$628,000 (2019: HK\$2,692,000). In November 2018, the Group announced to dispose of its entire equity interests in Illuminate Investment Group which was principally engaged in the holding of office premises and hotel strata lots in Canada. The disposal was completed in June 2019.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st March, 2020, the Group has total assets of HK\$547,209,000 (2019: HK\$1,488,165,000) represented a decrease of HK\$940,956,000 or 63% when compared with the last year.

As at 31st March, 2020, equity attributable to owners of the Company amounted to HK\$523,718,000 (2019: HK\$1,472,608,000), representing a decrease of HK\$948,890,000 or 64% as compared to 31st March, 2019. The decrease was mainly due to (a) an unrealised fair value loss of the Group's investment in AFC Mercury Fund; (b) an impairment loss on interest in the Group's associate, PYI; and (c) the share of the loss results of PYI.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

The Group continued to adopt a prudent funding and treasury policy to manage its liquidity needs. The objective is to maintain adequate funds for financing working capital and capture investment opportunities as and when they become available.

As at 31st March, 2020, current assets and current liabilities of the Group were HK\$351,572,000 (2019: HK\$186,571,000) and HK\$17,004,000 (2019: HK\$10,758,000) respectively. Accordingly, the Group's current ratio was about 21 (2019: 17).

Gearing Ratio

As at 31st March, 2020, the Group had bank deposits, bank balances and cash of HK\$77,938,000 (2019: HK\$65,553,000) and nil bank and other borrowings (2019: nil). The Group's gearing ratio was zero at 31st March, 2020 and 31st March, 2019 as the Group was in net cash position. The gearing ratio is calculated on the basis of net borrowings over the equity attributable to owners of the Company. Net borrowings are arrived at by deducting bank deposits, bank balances and cash from bank borrowings.

Material Acquisitions or Disposals and Future Plans for Material Investments

In November 2018, the Group announced an agreement to dispose of its entire equity interests in the Illuminate Investment Group that was principally engaged in the holding of an office premise in Canada for own use and to earn rentals and the provision of management and other related services. As at 31st March, 2019, negotiations with an interested party had already taken place, and the directors of the Company were committed to sell the equity interest in the subsidiaries within twelve months from 31st March, 2019. During the year ended 31st March, 2020, the disposal of the subsidiaries has been completed.

During the year ended 31st March, 2020, the Group completed the acquisition of 90% equity interest in YPD(HK) by way of a loan capitalisation. On 5th September, 2019, PT Credit Limited ("**PT Credit**"), an indirect wholly-owned subsidiary of the Company, entered into (i) the Loan Capitalisation Deed with YPD(HK), pursuant to which YPD(HK) and PT Credit agreed that the total outstanding amount of the loan in the sum of US\$4,000,000 and outstanding accrued interests of approximately US\$286,016 shall be capitalised into the capitalisation shares, being 9,000,000 YPD(HK) shares representing 90% of the enlarged share capital of YPD(HK), to be allotted and issued to the PT Credit or its nominee. Following completion, YPD(HK) has become an indirect non-wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 5th September, 2019.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

As disclosed in the Company's announcement dated 16th April, 2018 in relation to subscription of preference shares and 16th April, 2020 in relation to a possible acquisition, Thousand Vantage shall redeem the preference shares on 16th April, 2020 and the Guarantor granted to the Group an exclusive right during the period commencing from the date of the issue of the preference shares up to the full payment of the redemption price, as may be extended by agreement between the parties from time to time to purchase all or part of the issued ordinary shares of and all or part of shareholder's loan due by Thousand Vantage or to subscribe for new ordinary shares in Thousand Vantage. The Board is currently negotiating with the Guarantor and Thousand Vantage in relation to the acquisition of equity interests in Thousand Vantage, whereby the consideration of which will possibly be offset by the redemption price of HK\$200,000,000. Such potential transaction, if materialised, will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. As at 29th June, 2020, the Group has not entered into any agreement with Thousand Vantage and the Guarantor in relation to extension of the preference shares.

Save for those disclosed above, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year under review nor were there material investments authorised by the Board at 29th June, 2020.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars, Canadian dollars, Renminbi and United States dollars. During the year ended 31st March, 2020, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes. However, the management monitors foreign exchange exposure from time to time. Appropriate measures would be undertaken by the Group when exchange rate fluctuations become significant.

Pledge of Assets

As at 31st March, 2020, none of the Group's assets were pledged to secure any bank loans (2019: nil).

Contingent Liabilities

As at 31st March, 2020, the Group had no significant contingent liabilities (2019: nil).

Capital Commitments

As at 31st March, 2020, the Group had capital commitments of HK\$55,510,000 (2019: nil).

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

Securities in Issue

As at 31st March, 2020, there were 2,018,282,827 shares in issue. There was no change in the capital structure of the Company during the year ended 31st March, 2020. The share capital of the Company only comprises of ordinary shares.

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended 31st March, 2020 (2019: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2020, the Group had a total of 42 employees (including Directors) in Hong Kong and the PRC (2019: 61 employees in Hong Kong, the PRC and Sri Lanka). The Group's remuneration policy is to ensure that the Group's remuneration structure is appropriate and aligns with the Group's goals and objectives. The employees' remuneration is based on the employees' skill, knowledge and involvement in the Company's affairs and is determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions. The ultimate objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Company. The Group also offers benefits to employees including discretionary bonus, training and provident funds. The share option scheme of the Company is established for the eligible participants (including employees). No share options were granted during the year ended 31st March, 2020 and there were no outstanding share options as at 31st March, 2020 and as at 29th June, 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Disposal of interest in an associate

On 7th April, 2020, the Group entered into a conditional agreement with an independent third party for the Disposal.

As a conditional precedent to the Disposal, the Group has agreed to place the remaining 4.08% equity interests in PYI to independent third parties by way of placing before completion of the Disposal, after which the Group will no longer hold any shares of PYI after the Placing and the Disposal. Up to 29th June, 2020, the Placing has been completed. The condition precedent to the Disposal has been fulfilled and the Disposal will be completed in due course*. The Placing and the Disposal are expected to result in a gain on disposal of the Group's interest in associate and the Group is in the process of finalising the financial impact on the disposal of the associate.

* As disclosed in the Company's announcement dated 6th July, 2020, the Disposal has been completed on 6th July, 2020.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

Debt instrument at amortised cost

The debt instrument at amortised cost of HK\$200,000,000 matured on 16th April, 2020. The Group is negotiating with the Guarantor and Thousand Vantage in relation to the acquisition of equity interests in Thousand Vantage, whereby the consideration of which will possibly be offer by the redemption price of HK\$200,000,000 (the “**Potential Transaction**”). Up to 29th June, 2020, the Group has not entered into any agreement in relation to the Potential Transaction and/or the extension or redemption of the debt instrument at amortised cost.

Outbreak of a respiratory illness caused by COVID-19

Under the PRC’s lockdown due to the widespread of COVID-19, the commodities trading business in the PRC market has experienced a slowdown in the trading of copper and nickel. Sales and profitability reduced substantially during this period of time mainly driven by the lack of demand and risk migration in place. The Group has closely monitored the commodities price and the market demand and supply situation during this period of time. In terms of risk migration, the Group has reviewed the situation in the following areas: possible delays in payment, increase in cost from possible demurrage and extra storage cost caused by delays in custom clearance and quarantine, difficult logistics for the Chinese market, volatile market price and work-from-home arrangements. However, the Group expects market recovery to be underway and will continue to improve during the remainder of the financial year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31st March, 2020. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed securities.

(iii) For the year ended 31st March, 2021**BUSINESS REVIEW****Review of Financial Performance**

During the year ended 31st March, 2021, the Group, pursuant to its long-term strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the Group's invested companies, continued to strategically invest or hold significant interests, both directly or indirectly, in a portfolio of listed companies in Hong Kong, United States and Korea and also high-potential private companies and funds, through equity instruments and debt financing, financial assets and securities, and engaged in trading of commodities, chemical storage business, provision of management services, financial institute business and loan financing services.

For the year ended 31st March, 2021, the Group reported a profit of HK\$167,056,000 attributable to the owners of the Company (2020: loss of HK\$902,258,000) and basic earnings per share of HK8.28 cents (2020: basic loss per share of HK44.70 cents). The profit for the year ended 31st March, 2021 was mainly due to (a) the gain from the disposal of an associate, Blue River Holding Limited (previously known as PYI) ("**Blue River**"), and (b) the fair value gain of financial instruments, in particular, the Group's investment in AFC Mercury Fund.

Commodities Trading

During the year ended 31st March, 2021, the Group, through its subsidiaries, continued its trading business which focuses on the trading of commodities including copper, nickel, aluminium, and chemical and energy products. The business generated a segment revenue of HK\$1,462,355,000 (2020: HK\$1,244,356,000) and recorded a segment profit of HK\$3,418,000 (2020: segment loss of HK\$6,012,000). The increase in revenue was mainly due to our effort to diversify the commodities, suppliers, clients, and markets. The improvement in segment result is mainly due to an increase in the overall gross margin as a result of provision of additional value-added services to our clients.

The Group, through its subsidiaries, engaged in the metal, and chemical and energy product trading business in Hong Kong and Shanghai. This business is operated by experienced management teams located in both locations, with extensive and unique experience in the field of commodities trading. The metal trading business remains one of the main sources of income for the Group. Our trading volume improved after the expansion of our suppliers and client network and the diversification of commodities. With the Group continuing to expand both the upstream supplier and downstream end user network, the Group is able to facilitate the trade business through offering our value-added services to enhance our market share and position. Aluminium demand in Asia is encouraging for the Group whereas we developed regular businesses with clients in Asia. Aluminium trading is the main contributor to our business growth.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

The commodities markets worldwide are being affected by COVID-19 at different levels. Activities clearly rebounded in March 2020 after the ease of lockdown, with favourable policy support and growing pent-up demand especially in China. Import and export growth started to improve in the beginning of the financial year due to overall commodities market demand picked up in China which led to the recovery of most of the Asia Pacific countries. Management has been monitoring the situation and the credit exposures in commodities markets and put measures in place to mitigate the risks arising from the impact of the COVID-19 pandemic.

Long-term Investments

During the year ended 31st March, 2021, the Group's long-term investment recorded a revenue of HK\$4,000,000 (2020: HK\$4,011,000) and a segment profit of HK\$44,804,000 (2020: segment loss of HK\$376,199,000). The segment revenue and the segment profit for the year ended 31st March, 2021 was mainly attributed to the preference shares dividend from Thousand Vantage and the unrealised gain from the AFC Mercury Fund, respectively.

Thousand Vantage

Thousand Vantage is an investment holding company. Its subsidiaries are principally engaged in the provision of petrochemical port and storage services as well as port-related services through operation of a terminal at Yingling Terminal Operation Area of Qinzhou Port, in Guangxi, the PRC.

In April 2018, the Group, through the Subscriber, entered into a subscription agreement with Thousand Vantage pursuant to which the Group as a subscriber, agreed to subscribe and Thousand Vantage as an issuer, agreed to allot and issue the Preference Shares at a total subscription price of HK\$200,000,000. The Preference Shares confer the Group the right to receive cumulative fixed preferential dividend at a rate of 2% per annum of the subscription price up to the redemption date of 16th April, 2020. The Preference Shares are guaranteed by the Guarantor who has executed a share charge in favour of the Group relating to all shares of Thousand Vantage (the "Share Charge").

During the year ended 31st March, 2021, dividends arising on the Preference Shares amounting to HK\$4,000,000 (2020: HK\$4,011,000) are recognised in profit or loss as interest income from investments (included in revenue).

Pursuant to such subscription agreement entered into in April 2018, Thousand Vantage shall redeem the Preference Shares on 16th April, 2020 and at an aggregate sum of subscription price and all accrued and unpaid dividends through and including the date of payment. The Guarantor granted to the Group an exclusive right during the period commencing from the date of the issue of the Preference Shares up to the full payment of the redemption price, as may be extended by agreement between the parties from time to time to purchase all or part of the issued ordinary shares of and all or part of shareholder's loan due by Thousand Vantage or to subscribe for new ordinary shares in Thousand Vantage.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

On 9th November, 2020, the Group entered into a supplemental agreement with Thousand Vantage and the Guarantor pursuant to which the parties conditionally agreed to extend the redemption date of the Preference Shares from the original redemption date of 16th April, 2020 to the new redemption date of 16th April, 2022. Save for this, other principal terms of the Preference Shares remain the same.

As part of the Group's management role in Thousand Vantage Group and with an aim to strengthening its overall business performance, the Group has been conducting a detailed review on the business operation and financial position of Thousand Vantage Group so as to formulate business and financing plans and strategies for Thousand Vantage Group's future business development. Since the subscription of Preference Shares, the Group has assigned three senior officers, namely Mr. Paul Ching, Mr. Grabner and Ms. Chen, to the PRC Subsidiary, whom took up the positions of legal representative, general manager and head of finance department respectively and participated in the business operation of the PRC Subsidiary. Moreover, the Group was able to formalise our management role in Thousand Vantage Group pursuant to the Management Agreement entered into between the Group and Thousand Vantage on 9th November, 2020, under which Thousand Vantage agreed to appoint the Group on an exclusive basis to provide advisory, management and administrative services to Thousand Vantage Group. Through this appointment, the Group is entitled to management fee remuneration, subject to earlier termination as stipulated in the Management Agreement.

On 29th March, 2021, the Group entered into the Subscription Agreement with Thousand Vantage and the Guarantor to subscribe for the Subscription Shares at the Subscription Price. Further details are set out in the sub-section headed "Background of the Subscription" in the Letter from the Board in this circular.

AFC Mercury Fund

AFC Mercury Fund principally invests in shares of companies listed on the Korea Exchange, principally STX Corp. STX Corp (stock code: 011810) is primarily engaged in the business of energy trading, commodity trading, machinery and engine trading, and shipping and logistics. The shares of the AFC Mercury Fund held by the Group represent approximately 29.71% of the issued share capital of the AFC Mercury Fund as at 31st March, 2021.

In June 2018, the Group, through its subsidiary, entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for shares in AFC Mercury Fund, as a limited partner, at an aggregate consideration of US\$20,000,000 (equivalent to approximately HK\$156,000,000).

During the year ended 31st March, 2021, an unrealised fair value gain of HK\$56,935,000 (2020: fair value loss of HK\$373,271,000) was made.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

CEC Asia Media

CEC Fund was organised primarily to invest, directly or indirectly, in Global K Centre Limited and Lionheart Entertainment Asia Limited and other strategical investment in relation to media, artist and beauty training academy based in South Korea. The shares of CEC Fund held by the Group represent 20% of the issued share capital of CEC Fund.

In December 2018, the Group, through its subsidiary, entered into a subscription agreement with CEC Fund pursuant to which the Group agreed to subscribe for shares in CEC Fund, as a limited partner, at an aggregate consideration of US\$2,000,000 (equivalent to approximately HK\$15,600,000).

Fair value loss of HK\$11,673,000 (2020: nil) was recognised in profit or loss. CEC Fund has nil fair value as at 31st March, 2021 (2020: HK\$11,673,000) as the Directors of the Company determine that such investment is unable to generate future cash flows to the Group due to significant financial difficulties of CEC Fund in recent months causing suspension of business operations and even possible cessation of business in the foreseeable future.

Chemical Storage

Jiangsu Hong Mao (江蘇宏貿倉儲) (owned as to 90% by the Group)

The Group invested in YPD(HK) through the capitalisation of a loan in 2019. YPD(HK) is incorporated in Hong Kong as an investment holding company which in turn owns the entire equity interest in 江蘇宏貿倉儲有限公司, which has been granted a sea area use right in respect of a parcel of reclaimed land constructed on the relevant sea plot in Yangkou Port, Nantong, the PRC and is in the course of constructing infrastructure for operating chemical storage and related facilities thereon.

Such investment reinforces the Group's commitment towards sustainable development and it will broaden the income stream of the Group in the near future. This business segment has not commenced operation as at 31st March, 2021.

Financial Institute Business

The Group established Helios, which is principally engaged in assets management and advisory business in Hong Kong and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) Type 4 licence (Advising on Securities) and Type 9 licence (Asset Management) from the Securities and Futures Commission. To further develop its financial institute business, the Group has actively extended its reach to different facets of the financial services sector so as to develop an all-rounded business, the Group acquired an insurance brokerage firm, PT Insurance Brokers (previously known as Simply Management Limited which is a member of the Hong Kong Confederation of Insurance Brokers and allowed to carry out insurance brokerage business in the long term (excluding linked long term) insurance in Hong Kong. In December 2020, Muhabura, a subsidiary of the Company incorporated in Mauritius, was granted an investment banking licence by Financial Services Commission in Mauritius (“FSC”). The Group is currently putting in place key infrastructure in order to commence business, which have been delayed due to COVID-19.

The business goals of the financial institute business of the Group are to build an international financial platform that capitalises on cross-border investments between Asia and Africa. In light of the One-Belt-One-Road Initiative, the Group expects to see increasing business flows between the two continents. The Group takes the view that by operating licensed entities in both Hong Kong and Africa will give confidence in institutional, corporate and retail customers when working with the Group.

During the year ended 31st March, 2021, the financial institute business was hampered by COVID-19, which not only affected the business negatively but also caused delays towards licencing of some of the new financial institute business segments. Muhabura, which received the final approval in December 2020 by the FSC was unable to launch its business in the year ended 31st March, 2021 due to COVID-19 lock downs in Mauritius.

Since Muhabura has yet to commence business, Helios was unable to launch its planned African focused fund. Whereas PT Insurance Brokers commenced its business during the year ended 31st March, 2021 by becoming the general agent of certain insurance companies which will enable the Group to carry most of the popular insurance products sold in Hong Kong, and has also hired sales staff to spearhead its business.

Loan Financing Services

For the year ended 31st March, 2021, the Group’s loan financing operation reported a nil segment result (2020: segment profit of HK\$3,240,000). As at 31st March, 2021, the loan portfolio held by the Group was nil (2020: nil).

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

Listed strategic investments (Disposed)

Blue River (owned as to approximately 23.65% interest by the Group before the Disposal and the Placing)

On 7th April, 2020, the Group entered into a conditional agreement with an independent third party for the Disposal at a consideration of HK\$181,440,000, subject to adjustments. As a conditional precedent to the Disposal, the Group had agreed to place the remaining 4.08% equity interests in Blue River to independent third parties by way of the Placing before completion of the Disposal, after which the Group and the Company would no longer hold any shares of Blue River after the Placing and the Disposal.

The Placing and the Disposal was completed on 24th June, 2020 and 6th July, 2020, respectively. The Group received net proceeds from the Placing and the Disposal amounting to HK\$15,337,000 and HK\$181,350,000, respectively and recognised a total gain on disposal of interest in the associate of HK\$163,480,000 in profit or loss.

Other Investment

During the year ended 31st March, 2021, the Group's other investment contributed nil segment revenue (2020: nil) and a segment profit of HK\$1,428,000 (2020: segment loss of HK\$1,157,000).

Others

During the year ended 31st March, 2021, the Group's other business contributed nil segment revenue (2020: HK\$831,000) and nil segment result (2020: segment loss of HK\$5,000).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st March, 2021, the Group has total assets of HK\$789,037,000 (2020: HK\$547,209,000) represented an increase of HK\$241,828,000 or 44% when compared with the last year.

As at 31st March, 2021, equity attributable to owners of the Company amounted to HK\$709,546,000 (2020: HK\$523,718,000), representing an increase of HK\$185,828,000 or 35% as compared to 31st March, 2020. The increase was mainly due to (a) the gain from the disposal of an associate, Blue River, and (b) the fair value gain of financial instruments, in particular, the Group's investment in AFC Mercury Fund.

The Group continued to adopt a prudent funding and treasury policy to manage its liquidity needs. The objective is to maintain adequate funds for financing working capital and capture investment opportunities as and when they become available.

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

As at 31st March, 2021, current assets and current liabilities of the Group were HK\$343,059,000 (2020: HK\$351,572,000) and HK\$72,380,000 (2020: HK\$17,004,000) respectively. Accordingly, the Group's current ratio was about 5 (2020: 21).

Gearing Ratio

As at 31st March, 2021, the Group had bank balances and cash of HK\$239,325,000 (2020: HK\$77,938,000) and nil bank and other borrowings (2020: nil). The Group's gearing ratio was zero at 31st March, 2021 and 31st March, 2020 as the Group was in net cash position. The gearing ratio is calculated on the basis of net borrowings over the equity attributable to owners of the Company. Net borrowings are arrived at by deducting bank balances and cash from bank borrowings.

Significant Investments

Description of investment	Notes	Carrying	Fair value	Carrying	Percent to
		amount as at 1st April, 2020	gain recognised in profit and loss	amount as at 31st March, 2021	the Group's audited total assets as at 31st March, 2021
		HK\$'000	HK\$'000	HK\$'000	
Unlisted investment, at amortised cost					
– Preference shares of Thousand Vantage	(a)	200,000	–	200,000	25.3%
Unlisted investment, at fair value					
– Investment in AFC Mercury Fund	(b)	140,769	56,935	197,704	25.1%
Total		<u>340,769</u>	<u>56,935</u>	<u>397,704</u>	<u>50.4%</u>

APPENDIX I FINANCIAL INFORMATION OF THE ENLARGED GROUP

- (a) This unlisted investment represents the Preference Shares at a subscription price of HK\$200,000,000. The details of which are disclosed in the Company's announcement dated 17th April, 2018.

On 29th March, 2021, the Group entered into the Subscription Agreement with Thousand Vantage and the Guarantor to subscribe for 668,571,429 new ordinary shares of Thousand Vantage at a subscription price, being the redemption amount, which is the aggregate sum of the Subscription Price of HK\$200,000,000 and all the accrued and unpaid dividends on the Preference Shares up to the date of completion. Further details are set out in the sub-section headed "Background of the Subscription" in the Letter from the Board in this circular.

This unlisted investment is held at amortised cost and as at 31st March, 2021 was valued at HK\$200,000,000.

- (b) This unlisted investment at fair value represents 29.71% of the issued share capital of the AFC Mercury Fund, which principally invests in shares of companies listed on the Korea Exchange, principally STX Corp. STX Corp (stock code: 011810) is primarily engaged in the business of energy trading, commodity trading, machinery and engine trading, and shipping and logistics.

During the year ended 31st March, 2021, an unrealised fair value gain of HK\$56,935,000 was recognised and the Group intends to hold the investment for long-term strategic purposes.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars, Korean Won, Renminbi, United States dollars and New Taiwan dollars. During the year ended 31st March, 2021, the Group entered into a number of foreign currency forward contracts and currency swaps for hedging purposes. Appropriate measures would be undertaken by the Group when exchange rate fluctuations become significant.

Pledge of Assets

As at 31st March, 2021, none of the Group's assets were pledged to secure any bank loans (2020: nil).

Contingent Liabilities

As at 31st March, 2021, the Group had no significant contingent liabilities (2020: nil).

Capital Commitments

As at 31st March, 2021, the capital commitments of the Group were HK\$60,603,000 (2020: HK\$55,510,000) in respect of construction contracts entered into for the construction of chemical storage and related facilities in order to operate the chemical storage business located in China.

Securities in Issue

As at 31st March, 2021, there were 2,018,282,827 shares in issue. There was no change in the capital structure of the Company during the year ended 31st March, 2021. The share capital of the Company only comprises of ordinary shares.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

The following is the text of a report, received from the reporting accountants of Thousand Vantage Investment Limited, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF THOUSAND VANTAGE INVESTMENT LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF PT INTERNATIONAL DEVELOPMENT CORPORATION LIMITED

Introduction

We report on the historical financial information of Thousand Vantage Investment Limited (“**Thousand Vantage**”) and its subsidiaries (together, the “**Thousand Vantage Group**”) set out on pages II-4 to II-72, which comprises the consolidated statements of financial position of Thousand Vantage Group as at 31st December, 2018, 2019 and 2020 and 31st March, 2021, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Thousand Vantage Group for each of the three years ended 31st December, 2020 and the three months ended 31st March, 2021 (the “**Relevant Periods**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-4 to II-72 forms an integral part of this report, which has been prepared for inclusion in the circular of PT International Development Corporation Limited (the “**Company**”) dated 17th September, 2021 (the “**Circular**”) in connection with the proposed acquisition of 65% equity interests in Thousand Vantage.

Directors' responsibility for the Historical Financial Information

The directors of Thousand Vantage are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of Thousand Vantage determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of Thousand Vantage Group is included, and such information is prepared based on the accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Thousand Vantage, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Thousand Vantage Group's financial position as at 31st December, 2018, 2019 and 2020 and 31st March, 2021, and of Thousand Vantage Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Thousand Vantage Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31st March, 2020 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of Thousand Vantage are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 1 to the Historical Financial Information.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends was declared or paid by Thousand Vantage Group in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17th September, 2021

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

HISTORICAL FINANCIAL INFORMATION OF THOUSAND VANTAGE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of Thousand Vantage Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31st December,			Three months ended 31st March,	
		2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2020 HK\$'000	2021 HK\$'000
Revenue	5	52,207	37,383	79,301	15,274	18,691
Cost of sales		(64,143)	(52,202)	(63,590)	(14,797)	(16,755)
Gross (loss) profit		(11,936)	(14,819)	15,711	477	1,936
Other income, other gains and losses	6	(72,342)	108,980	10,612	(3,777)	(3,845)
Impairment losses under expected credit loss model, net of reversal		1,133	191	(46)	–	–
Administrative expenses		(15,423)	(11,909)	(9,945)	(2,135)	(2,414)
Finance costs	7	(33,518)	(22,646)	(27,474)	(6,783)	(5,844)
(Loss) profit before taxation	8	(132,086)	59,797	(11,142)	(12,218)	(10,167)
Income tax credit	9	–	–	2,465	1,278	1,397
(Loss) profit for the year/period		(132,086)	59,797	(8,677)	(10,940)	(8,770)
Other comprehensive (expense) income						
<i>Item that will not be reclassified to profit or loss:</i>						
Exchange differences arising on translation to presentation currency		(13,294)	(4,997)	15,624	(5,573)	(1,414)
Total comprehensive (expense) income for the year/period		(145,380)	54,800	6,947	(16,513)	(10,184)
(Loss) profit for the year/period attributable to:						
Sole owner of Thousand Vantage		(101,596)	43,322	(4,632)	(9,237)	(7,053)
Non-controlling interests		(30,490)	16,475	(4,045)	(1,703)	(1,717)
(Loss) profit for the year/period attributable to:		(132,086)	59,797	(8,677)	(10,940)	(8,770)
Total comprehensive (expense) income for the year/period attributable to:						
Sole owner of Thousand Vantage		(110,452)	39,783	4,402	(14,763)	(2,484)
Non-controlling interests		(34,928)	15,017	2,545	(1,750)	(7,700)
Total comprehensive (expense) income for the year/period attributable to:		(145,380)	54,800	6,947	(16,513)	(10,184)

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31st December,			As at 31st
	NOTES	2018	2019	2020	March,
		HK\$'000	HK\$'000	HK\$'000	2021
					HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	1,125,363	381,811	539,958	568,224
Right-of-use assets	14	–	576,701	454,308	412,779
Prepaid lease payments	15	7,477	–	–	–
Deposits paid for acquisition of property, plant and equipment		–	181	–	–
Amount due from the sole shareholder	16	–	47,282	–	–
Deposit	18	913	894	–	–
Deferred tax assets	27	–	–	2,617	4,003
		1,133,753	1,006,869	996,883	985,006
CURRENT ASSETS					
Inventories	17	1,890	–	–	–
Prepaid lease payments	15	273	–	–	–
Trade and other receivables and deposits	18	69,676	147,714	129,722	94,243
Amount due from the sole shareholder	16	–	–	47,213	47,855
Bank balances and cash	19	59,193	128,282	84,608	43,408
		131,032	275,996	261,543	185,506
CURRENT LIABILITIES					
Other payables	20	140,154	138,213	138,952	135,553
Contract liabilities	21	295	243	226	251
Amount due to the sole shareholder	16	451	–	–	–
Loans from outsiders	22	27,810	–	–	–
Bank borrowing – due within one year	23	–	22,655	36,057	35,826
Lease liabilities – due within one year	24	–	153,082	148,486	118,543
Obligations under finance leases - due within one year	25	4,952	–	–	–
Preference shares at amortised cost	26	1,008	200,340	2,838	3,825
		174,670	514,533	326,559	293,998

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

		As at 31st December,			As at 31st March,
<i>NOTES</i>	2018	2019	2020	2021	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
NET CURRENT LIABILITIES	(43,638)	(238,537)	(65,016)	(108,492)	
TOTAL ASSETS LESS CURRENT LIABILITIES	1,090,115	768,332	931,867	876,514	
NON-CURRENT LIABILITIES					
Bank borrowing – due after one year	23	–	122,925	107,271	
Lease liabilities – due after one year	24	–	446,642	418,884	
Obligations under finance leases – due after one year	25	740,037	–	–	
Preference shares at amortised cost	26	200,000	–	200,000	
		940,037	569,567	726,155	
NET ASSETS		150,078	198,765	205,712	
CAPITAL AND RESERVES					
Share capital	28	360,000	360,000	360,000	
Reserves		(252,562)	(218,892)	(214,490)	
Equity attributable to the sole owner of Thousand Vantage		107,438	141,108	145,510	
Non-controlling interests	38	42,640	57,657	60,202	
TOTAL EQUITY		150,078	198,765	205,712	

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the sole owner of Thousand Vantage				Non-		Total
	Share capital	Other reserve	Exchange reserve	Accumulated losses	Subtotal	controlling interests	
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note i)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2018	360,000	(52,682)	17,602	(107,030)	217,890	34,816	252,706
Loss for the year	–	–	–	(101,596)	(101,596)	(30,490)	(132,086)
Exchange differences arising on translation to presentation currency	–	–	(8,856)	–	(8,856)	(4,438)	(13,294)
Total comprehensive expense for the year	–	–	(8,856)	(101,596)	(110,452)	(34,928)	(145,380)
Capital contribution from non-controlling shareholder of a subsidiary	–	–	–	–	–	42,752	42,752
At 31st December, 2018	360,000	(52,682)	8,746	(208,626)	107,438	42,640	150,078
Profit for the year	–	–	–	43,322	43,322	16,475	59,797
Exchange differences arising on translation to presentation currency	–	–	(3,539)	–	(3,539)	(1,458)	(4,997)
Total comprehensive (expense) income for the year	–	–	(3,539)	43,322	39,783	15,017	54,800
Deemed distribution to the sole shareholder <i>(Note ii)</i>	–	(6,113)	–	–	(6,113)	–	(6,113)
At 31st December, 2019	360,000	(58,795)	5,207	(165,304)	141,108	57,657	198,765
Loss for the year	–	–	–	(4,632)	(4,632)	(4,045)	(8,677)
Exchange differences arising on translation to presentation currency	–	–	9,034	–	9,034	6,590	15,624
Total comprehensive income (expense) for the year	–	–	9,034	(4,632)	4,402	2,545	6,947

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

	Attributable to the sole owner of Thousand Vantage					Non-	
	Share capital	Other reserve	Exchange reserve	Accumulated losses	Subtotal	controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note i)					
At 31st December, 2020	360,000	(58,795)	14,241	(169,936)	145,510	60,202	205,712
Loss for the period	-	-	-	(7,053)	(7,053)	(1,717)	(8,770)
Exchange differences arising on translation to presentation currency	-	-	4,569	-	4,569	(5,983)	(1,414)
Total comprehensive income (expense) for the period	-	-	4,569	(7,053)	(2,484)	(7,700)	(10,184)
At 31st March, 2021	<u>360,000</u>	<u>(58,795)</u>	<u>18,810</u>	<u>(176,989)</u>	<u>143,026</u>	<u>52,502</u>	<u>195,528</u>
At 1st January, 2020	360,000	(58,795)	5,207	(165,304)	141,108	57,657	198,765
Loss for the period	-	-	-	(9,237)	(9,237)	(1,703)	(10,940)
Exchange differences arising on translation to presentation currency	-	-	(5,526)	-	(5,526)	(47)	(5,573)
Total comprehensive expense for the period	-	-	(5,526)	(9,237)	(14,763)	(1,750)	(16,513)
At 31st March, 2020 (unaudited)	<u>360,000</u>	<u>(58,795)</u>	<u>(319)</u>	<u>(174,541)</u>	<u>126,345</u>	<u>55,907</u>	<u>182,252</u>

Notes:

- (i) Other reserve represents the difference between the consideration payable by Thousand Vantage Group and the proportion of the net asset value of a then non-wholly owned subsidiary transferred from non-controlling interests on acquisition of additional interests in the subsidiary that did not involve a change in control in prior years.
- (ii) During the year ended 31st December, 2019, Thousand Vantage Group has advanced HK\$56,629,000 to its sole shareholder which was unsecured, interest-free and repayable on demand. Such amount was measured at fair value at initial recognition using a market interest rate of 5.25% per annum and based on the management's estimate of the timing of recovery. The difference of HK\$6,113,000 between the fair value at initial recognition of HK\$50,516,000 and the amount advanced to the sole shareholder of HK\$56,629,000 was recognised in equity as deemed distributions.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31st December,			Three months ended 31st March,	
	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
				(Unaudited)	
OPERATING ACTIVITIES					
(Loss) profit before taxation	(132,086)	59,797	(11,142)	(12,218)	(10,167)
Adjustments for:					
Depreciation of right-of-use assets	–	32,570	24,178	6,334	5,854
Depreciation of property, plant and equipment	37,783	3,080	22,942	5,140	7,201
Release of prepaid lease payments	279	–	–	–	–
Finance costs	33,518	22,646	27,474	6,783	5,844
Interest income	(1,058)	(2,444)	(2,766)	(638)	(646)
Gain on land resumption from the government	–	(95,152)	–	–	–
(Gain) loss on disposals/write-off of property, plant and equipment	(1,049)	803	2,712	–	2,539
Waiver of interest payable on loans from outsiders	–	(19,785)	–	–	–
Impairment loss recognised (reversal) of value-added tax recoverable	11,357	(421)	11	–	–
Impairment losses recognised in respect of property, plant and equipment	49,942	–	–	–	–
Impairment losses under expected credit loss model, net of reversal	(1,133)	(191)	46	–	–
Charge on late repayment of construction payables	398	3,669	3,945	869	916
Waiver of payables for acquisition of property, plant and equipment upon finalisation of a litigation case	–	–	(5,381)	–	–
Revaluation loss of buildings recognised in profit or loss	820	–	–	–	–
Unrealised exchange losses (gains)	4,882	3,464	(9,686)	3,573	1,005
Operating cash flows before movements in working capital	3,653	8,036	52,333	9,843	12,546
Decrease in inventories	3,868	1,878	–	–	–
Decrease (increase) in trade and other receivables	16,170	(2,545)	1,618	(6,703)	(21,977)
(Decrease) increase in other payables	(5,239)	1,063	4,130	(1,304)	(1,165)
(Decrease) increase in contract liabilities	(12,046)	(15)	(31)	(226)	27
Cash generated from (used in) operations	6,406	8,417	58,050	1,610	(10,569)
Income tax paid	–	–	–	–	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES	6,406	8,417	58,050	1,610	(10,569)

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	Year ended 31st December,			Three months ended	
	2018	2019	2020	31st March, 2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)					
INVESTING ACTIVITIES					
Compensation received for land resumption from the government, net of related expenses	–	118,214	24,585	24,585	56,142
Repayments from a third party	6,513	55,954	–	–	–
Repayments of amount due from the sole shareholder	87,110	4,710	2,768	1,008	–
Repayment from the sole shareholder in settlement of the subscription price of preference shares at amortised cost	200,000	–	–	–	–
Proceeds from disposals of property, plant and equipment	1,254	12	–	–	–
Interests received	33	10	21	7	4
Advances to the sole shareholder	–	(56,629)	–	–	–
Advances to a third party	(23,867)	(39,125)	–	–	–
Acquisition of property, plant and equipment	(45,888)	(23,210)	(28,311)	(15,446)	(9,007)
Deposits paid for acquisition of property, plant and equipment	–	(181)	–	–	–
Repayments from a related party	8,732	–	–	–	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	233,887	59,755	(937)	10,154	47,139
FINANCING ACTIVITIES					
Bank borrowing raised	–	147,428	–	–	–
Repayments of bank borrowing	(185,605)	–	(11,229)	–	–
Interests paid	(48,881)	(36,981)	(25,827)	(7,087)	(5,161)
Repayments of loans from outsiders	(131,603)	(7,197)	–	–	–
Repayments to the sole shareholder	–	(451)	–	–	–
Repayments of lease liabilities	–	(133,125)	(67,570)	(28,784)	(71,052)
Proceeds received for sale of assets under sale and leaseback arrangements	211,250	34,022	–	–	–
Capital injection from non-controlling shareholder of a subsidiary	42,752	–	–	–	–
Loans advanced from outsiders	4,947	–	–	–	–
Advances from the sole shareholder	451	–	–	–	–
Repayments for settlement of obligations under finance leases	(74,155)	–	–	–	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(180,844)	3,696	(104,626)	(35,871)	(76,213)

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

	Year ended 31st December,			Three months ended	
	2018	2019	2020	31st March, 2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	59,449	71,868	(47,513)	(24,107)	(39,643)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,855)	(2,779)	3,839	(505)	(1,557)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	1,599	59,193	128,282	128,282	84,608
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	59,193	128,282	84,608	103,670	43,408

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Thousand Vantage is a private limited company incorporated in Hong Kong. The sole shareholder is Mr. Zhu Bin (“**Mr. Zhu**”), who is also a director of Thousand Vantage. The address of Thousand Vantage’s registered office and principal place of business is Unit 2304, 23/F., West Tower Shun Tak Centre, No. 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

Thousand Vantage is an investment holding company. Thousand Vantage Group are principally engaged in the provision of port and port-related services and the trading of petrochemical products. The principal activities of Thousand Vantage’s subsidiaries are set out in note 37.

The functional currency of Thousand Vantage is Renminbi (“**RMB**”). The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”) to facilitate the review of the consolidated financial position and performance of Thousand Vantage Group by the directors of Thousand Vantage.

The Historical Financial Information has been prepared in accordance with accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information contained in this circular does not constitute or is not derived from Thousand Vantage’s statutory annual financial statements for the years ended 31st December 2018, 2019 and 2020 because no such financial statements have been issued at the date of issuance of this report.

In preparing the Historical Financial Information of Thousand Vantage, the directors of Thousand Vantage have given careful consideration to the future liquidity of Thousand Vantage Group in light of the fact that Thousand Vantage Group’s current liabilities exceeded its current assets by HK\$108,492,000 as at 31st March, 2021.

Taking into account the financial resources of Thousand Vantage Group, Thousand Vantage Group has unutilised banking facilities of RMB170,000,000 (equivalent to HK\$201,323,000) as at 31st March, 2021 for over the next twelve months from the end of the reporting period. In addition, the directors of Thousand Vantage have reviewed Thousand Vantage Group’s cash flow projections prepared by the management of Thousand Vantage Group. The cash flow projections cover a period not less than twelve months from 31st March, 2021.

Based on management’s budget and the latest available financial information of Thousand Vantage Group, the directors of Thousand Vantage are satisfied that Thousand Vantage Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for at least the next twelve months from 31st March, 2021. Accordingly, the Historical Financial Information have been prepared on a going concern basis.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Historical Financial Information for the Relevant Periods, Thousand Vantage Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1st January, 2021 throughout the Relevant Periods, except that Thousand Vantage Group adopted HKFRS 16 “Leases” (“**HKFRS 16**”) from 1st January, 2019 and applied HKAS 17 “Leases” (“**HKAS 17**”) for the year ended 31st December, 2018.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

The impact of the adoption of HKFRS 16 is detailed below.

HKFRS 16 “Leases”

Thousand Vantage Group has applied HKFRS 16 since 1st January, 2019. HKFRS 16 superseded HKAS 17, and the related interpretations.

Definition of a lease

Thousand Vantage Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, Thousand Vantage Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, Thousand Vantage Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

Thousand Vantage Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019.

As at 1st January, 2019, Thousand Vantage Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and financial information for the year ended 31st December, 2018 has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, Thousand Vantage Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review; and
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

When recognising the lease liabilities for leases previously classified as operating leases, Thousand Vantage Group has applied incremental borrowing rate of the relevant group entity at the date of initial application. The lessee's incremental borrowing rate applied is 4.90% per annum.

	At 1st January, 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31st December, 2018	3,620
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 and discounted at the relevant incremental borrowing rate	1,451
Add: Obligations under finance lease recognised at 31st December, 2018	744,989
Lease liabilities as at 1st January, 2019	746,440
Analysed as:	
Current	5,032
Non-current	741,408
	746,440

The carrying amount of right-of-use assets for own use as at 1st January, 2019 comprises the following:

	<i>Notes</i>	At 1st January, 2019 <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<i>(i)</i>	1,451
Reclassified from prepaid lease payments	<i>(i)</i>	7,750
Amounts included in property, plant and equipment as at 31st December, 2018 for assets previously under finance leases	<i>(ii)</i>	618,224
		627,425
By classes:		
Land use rights		6,629
Sea areas use rights		2,572
Oil tanks and related facilities		606,711
Plant and machinery		11,123
Furniture, fixtures and equipment		177
Motor vehicles		213
		627,425

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

Notes:

- (i) Upfront payments for land use rights and sea areas use rights in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$273,000 and HK\$7,477,000 respectively were reclassified to right-of-use assets.
- (ii) In relation to assets previously under finance leases, Thousand Vantage Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1st January, 2019 amounting to HK\$618,224,000 as right-of-use assets. In addition, Thousand Vantage Group reclassified the obligations under finance leases of HK\$4,952,000 and HK\$740,037,000 to lease liabilities as current and non-current liabilities respectively at 1st January, 2019. Thousand Vantage Group did not enter into new sale and leaseback transactions during the years ended 31st December, 2019 and 2020 and the three months ended 31st March, 2021.

Sale and leaseback transactions

Thousand Vantage Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, Thousand Vantage Group applies the requirements of HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to assess whether sale and leaseback transaction constitutes a sale.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31st December, 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1st January, 2019 <i>HK\$'000</i>
Non-current assets			
Right-of-use assets	–	627,425	627,425
Property, plant and equipment	1,125,363	(618,224)	507,139
Prepaid lease payments	7,477	(7,477)	–
Current asset			
Prepaid lease payments	273	(273)	–
Current liabilities			
Lease liabilities	–	5,032	5,032
Obligations under finance leases	4,952	(4,952)	–
Non-current liabilities			
Lease liabilities	–	741,408	741,408
Obligations under finance leases	740,037	(740,037)	–
	740,037	(740,037)	–

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ³

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1st April, 2021

³ Effective for annual periods beginning on or after 1st January, 2022

⁴ Effective for annual periods beginning on or after 1st January, 2023

Except as described below, the directors of Thousand Vantage anticipate that the application of all other new and amendments to HKFRSs will have no material impact on Thousand Vantage Group's consolidated financial statements in the foreseeable future.

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

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

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

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

Based on Thousand Vantage Group's outstanding liabilities as at 31st March, 2021, the application of the amendments will not result in reclassification of Thousand Vantage Group's liabilities.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

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

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the Historical Financial Information, for leasing transactions in which the tax deductions are attributable to the lease liabilities, Thousand Vantage Group applied HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, Thousand Vantage Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1st January, 2023, with early application permitted. As at 31st March, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$411,126,000 and HK\$492,946,000, respectively. Thousand Vantage Group is still in progress of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of accumulated losses (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis, except for certain properties that are measured at revalued amounts at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Thousand Vantage Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1st January, 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

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

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

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

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

The principal accounting policies adopted are as follows:

Basis of consolidation

The Historical Financial Information incorporates the financial statements of Thousand Vantage and entities controlled by Thousand Vantage and its subsidiaries. Control is achieved when Thousand Vantage:

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

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

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

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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

A receivable represents Thousand Vantage Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

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

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

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

As a practical expedient, if Thousand Vantage Group has a right to consideration in an amount that corresponds directly with the value of Thousand Vantage Group's performance completed to date (for example, a service contract in which Thousand Vantage Group bills a fixed amount for each month of service provided), Thousand Vantage Group recognises revenue in the amount to which Thousand Vantage Group has the right to invoice.

Variable consideration

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

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

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

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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

For contracts entered into or modified on or after the date of initial application, Thousand Vantage Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Thousand Vantage Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Thousand Vantage Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

Lease modifications

Thousand Vantage Group accounts for a lease modification as a separate lease if:

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

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

Thousand Vantage Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Thousand Vantage Group as lessee (prior to 1st January, 2019)

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

Assets held under finance leases are recognised as assets of Thousand Vantage Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as obligations under finance leases.

Lease payments are apportioned between interest expenses and reduction of the obligations under finance leases so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with Thousand Vantage Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight line basis over the lease terms.

Sales and leaseback transactions (upon application of HKFRS 16 in accordance with transitions in note 2)

Thousand Vantage Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by Thousand Vantage Group.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

Thousand Vantage Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, Thousand Vantage Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as other borrowings within the scope of HKFRS 9.

Sale and leaseback transactions (prior to 1st January, 2019)

The accounting treatment of a sale and leaseback transaction depends on the type of lease involved. The leaseback may be a finance lease if it meets the condition that substantially all the risks and rewards of ownership remain with the lessee, or it may be an operating lease (in which case, some significant risks and rewards of ownership have been transferred to the purchaser).

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a seller-lessee. Instead, it shall be deferred and amortised over the lease term. The assets are continued to be recognised at their previous carrying amounts as if the sale and leaseback transaction had not occurred, and the proceeds from the sale transaction are recognised as obligations under finance leases.

Foreign currencies

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

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

For the purposes of presenting the Historical Financial Information, the assets and liabilities of Thousand Vantage Group's operations are translated into the presentation currency of Thousand Vantage Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate). Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

Borrowing costs

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

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowing. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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Employee benefits

Retirement benefit costs

Payments to the defined contribution retirement benefit scheme, representing state-managed retirement schemes in the PRC, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “(loss) profit before taxation” because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Thousand Vantage Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

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

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the supply of goods or services, or for administrative purposes. Property, plant and equipment, other than construction in progress and owned properties as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with Thousand Vantage Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

When Thousand Vantage Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Owned properties are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising from revaluation of owned properties is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of such leasehold land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

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

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

Impairment on property, plant and equipment, prepaid lease payments and right-of-use assets

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

The recoverable amount of property, plant and equipment, prepaid lease payments and right-of-use assets is estimated individually. When it is not possible to estimate the recoverable amount individually, Thousand Vantage Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value through profit or loss.

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

Impairment of financial assets

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

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

Thousand Vantage Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed collectively with appropriate groupings.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Thousand Vantage 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, Thousand Vantage 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.

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

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

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

Despite the foregoing, Thousand Vantage Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt 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. Thousand Vantage Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

(ii) Definition of default

For internal credit risk management, Thousand Vantage Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Thousand Vantage Group, in full (without taking into account any collaterals held by Thousand Vantage Group).

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to Thousand Vantage Group in accordance with the contract and the cash flows that Thousand Vantage Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

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

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

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

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

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

Derecognition of financial assets

Thousand Vantage Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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Financial liabilities at amortised cost

Financial liabilities (including other payables, amount due to the sole shareholder, loans from outsiders, bank borrowing and preference shares at amortised cost) are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

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

When the contractual terms of a financial liability are modified, Thousand Vantage Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, Thousand Vantage Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going 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.

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

Estimated impairment of property, plant and equipment, prepaid lease payments and right-of-use assets

Property, plant and equipment, prepaid lease payments and right-of-use assets are stated at cost or revalued amount less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, Thousand Vantage Group has to exercise judgment and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, the carrying amounts of property, plant and equipment, prepaid lease payments and right-of-use assets subject to impairment assessment in aggregate were HK\$1,133,113,000, HK\$958,512,000, HK\$994,266,000 and HK\$981,003,000, respectively. Based on the impairment assessment, no impairment loss is considered necessary.

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Deferred tax asset

As at 31st December, 2020 and 31st March, 2021, a deferred tax asset of HK\$2,617,000 and HK\$4,003,000, respectively, in relation to unused tax losses for certain operating subsidiaries have been recognised in the consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty, especially given the significant uncertainty on the potential taxable profits of gain on land resumption. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

5. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue from provision of port and port-related services and revenue from trading of petrochemical products arise from contracts with customers. A disaggregation of revenue from contracts with customers is as follows:

An analysis of revenue is as follows:

	Year ended 31st December,			Three months ended	
	2018	2019	2020	31st March, 2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Types of goods or services					
Port and port-related service income	36,804	35,420	79,301	15,274	18,691
Trading income from petrochemical products	15,403	1,963	–	–	–
	<u>52,207</u>	<u>37,383</u>	<u>79,301</u>	<u>15,274</u>	<u>18,691</u>
Timing of revenue recognition					
Over time	36,804	35,420	79,301	15,274	18,691
A point in time	15,403	1,963	–	–	–
	<u>52,207</u>	<u>37,383</u>	<u>79,301</u>	<u>15,274</u>	<u>18,691</u>

Port and port-related services

Thousand Vantage Group's port and port-related services mainly consist of (i) unloading petrochemicals owned by Thousand Vantage Group's customers from incoming vessels at the berth of Thousand Vantage Group's port to Thousand Vantage Group's oil tanks and related facilities; (ii) storage of petrochemicals owned by Thousand Vantage Group's customers at Thousand Vantage Group's oil tanks and related facilities; and (iii) loading petrochemicals of Thousand Vantage Group's customers onto outgoing vessels, trains and oil trucks from Thousand Vantage Group's oil tanks and facilities. Thousand Vantage Group provides a bundle of service including the unloading, storage and loading services, and are thus one single performance obligation as identified within the contract. Customers are allowed an average credit period of 30 days upon issuance of invoice.

Revenue from port and port-related services are recognised over time using the output method. Thousand Vantage Group applied the practical expedient to recognise the revenue in an amount to which Thousand Vantage Group has the right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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Trading of petrochemical products

Revenue from trading of petrochemical products is recognised at a point in time when control of the goods has been transferred to the customers, being at the point when the customer receives and acknowledges receipt of the goods. Advance payment is usually required from the customers, and any remainder of the balance is due within 1 month from the date of contract.

Segment Information

Thousand Vantage Group's operating segments, determined based on information reported to the chief operating decision maker (the "CODM"), being the directors of Thousand Vantage, for the purpose of resource allocation and performance assessment are as follows:

Port and port-related services	–	storage, unloading and loading services for petrochemical products in Qinzhou, the People's Republic of China (the "PRC")
Trading of petrochemical products	–	trading of petrochemical products

Segment revenues and results

The following is an analysis of Thousand Vantage Group's revenue and results by reporting and operating segment.

For the year ended 31st December, 2018

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales and segment revenue	36,804	15,403	52,207
RESULTS			
Segment loss	(102,322)	(20,208)	(122,530)
Certain other income, other gains and losses			(6,971)
Certain impairment losses under expected credit loss model, net of reversal			1,840
Certain administration expenses			(1,565)
Certain finance costs			(2,860)
Loss before taxation			(132,086)

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

For the year ended 31st December, 2019

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales and segment revenue	35,420	1,963	37,383
	<u>35,420</u>	<u>1,963</u>	<u>37,383</u>
RESULTS			
Segment profit	41,067	25,088	66,155
	<u>41,067</u>	<u>25,088</u>	
Certain other income, other gains and losses			(682)
Certain impairment losses under expected credit loss model, net of reversal			(958)
Certain administration expenses			(718)
Certain finance costs			(4,000)
			<u>(9,358)</u>
Profit before taxation			59,797
			<u>59,797</u>

For the year ended 31st December, 2020

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales and segment revenue	79,301	–	79,301
	<u>79,301</u>	<u>–</u>	<u>79,301</u>
RESULTS			
Segment (loss) profit	(23,343)	4,696	(18,647)
	<u>(23,343)</u>	<u>4,696</u>	
Certain other income, other gains and losses			12,420
Certain impairment losses under expected credit loss model, net of reversal			(46)
Certain administration expenses			(869)
Certain finance costs			(4,000)
			<u>(4,915)</u>
Loss before taxation			(11,142)
			<u>(11,142)</u>

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For the three months ended 31st March, 2020 (unaudited)

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales and segment revenue	15,274	–	15,274
	<u>15,274</u>	<u>–</u>	<u>15,274</u>
RESULTS			
Segment loss	(7,933)	(154)	(8,087)
	<u>(7,933)</u>	<u>(154)</u>	
Certain other income, other gains and losses			(2,923)
Certain administration expenses			(213)
Certain finance costs			(995)
Loss before taxation			<u>(12,218)</u>

For the three months ended 31st March, 2021

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales and segment revenue	18,691	–	18,691
	<u>18,691</u>	<u>–</u>	<u>18,691</u>
RESULTS			
Segment loss	(8,506)	(117)	(8,623)
	<u>(8,506)</u>	<u>(117)</u>	
Certain other income, other gains and losses			(360)
Certain administration expenses			(198)
Certain finance costs			(986)
Loss before taxation			<u>(10,167)</u>

Segment result represents the result of each segment without allocation of certain other income, other gains and losses, certain impairment losses under expected credit loss model (net of reversal), certain administrative expenses and certain finance costs.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

Segment assets and liabilities

The following is an analysis of Thousand Vantage Group's assets and liabilities by reportable and operating segment.

As at 31st December, 2018

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT ASSETS					
Segment assets	1,142,705	64,326	1,207,031	–	1,207,031
Unallocated corporate assets	–	–	–	57,754	57,754
	<u>1,142,705</u>	<u>64,326</u>	<u>1,207,031</u>	<u>57,754</u>	<u>1,264,785</u>
SEGMENT LIABILITIES					
Segment liabilities	893,690	19,348	913,038	–	913,038
Unallocated corporate liabilities	–	–	–	201,669	201,669
	<u>893,690</u>	<u>19,348</u>	<u>913,038</u>	<u>201,669</u>	<u>1,114,707</u>

As at 31st December, 2019

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT ASSETS					
Segment assets	1,231,306	3,612	1,234,918	–	1,234,918
Unallocated corporate assets	–	–	–	47,947	47,947
	<u>1,231,306</u>	<u>3,612</u>	<u>1,234,918</u>	<u>47,947</u>	<u>1,282,865</u>
SEGMENT LIABILITIES					
Segment liabilities	863,222	19,654	882,876	–	882,876
Unallocated corporate liabilities	–	–	–	201,224	201,224
	<u>863,222</u>	<u>19,654</u>	<u>882,876</u>	<u>201,224</u>	<u>1,084,100</u>

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As at 31st December, 2020

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT ASSETS					
Segment assets	1,209,869	614	1,210,483	–	1,210,483
Unallocated corporate assets	–	–	–	47,943	47,943
	<u>1,209,869</u>	<u>614</u>	<u>1,210,483</u>	<u>47,943</u>	<u>1,258,426</u>
SEGMENT LIABILITIES					
Segment liabilities	833,482	15,588	849,070	–	849,070
Unallocated corporate liabilities	–	–	–	203,644	203,644
	<u>833,482</u>	<u>15,588</u>	<u>849,070</u>	<u>203,644</u>	<u>1,052,714</u>

As at 31st March, 2021

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT ASSETS					
Segment assets	1,121,349	579	1,121,928	–	1,121,928
Unallocated corporate assets	–	–	–	48,584	48,584
	<u>1,121,349</u>	<u>579</u>	<u>1,121,928</u>	<u>48,584</u>	<u>1,170,512</u>
SEGMENT LIABILITIES					
Segment liabilities	754,634	15,522	770,156	–	770,156
Unallocated corporate liabilities	–	–	–	204,828	204,828
	<u>754,634</u>	<u>15,522</u>	<u>770,156</u>	<u>204,828</u>	<u>974,984</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments, other than amount due from the sole shareholder, certain other receivables and certain bank balances and cash; and
- all liabilities are allocated to operating segments, other than certain other payables and preference shares at amortised cost.

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Other information

For the year ended 31st December, 2018

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measurement of segment results or segment assets:				
Additions to property, plant and equipment	200,282	1,211	–	201,493
Depreciation of property, plant and equipment	37,208	575	–	37,783
Amortisation of prepaid lease payments	279	–	–	279
Interest income on amount due from the sole shareholder	–	–	1,025	1,025
Impairment loss recognised of value-added tax (“VAT”) recoverable	–	11,357	–	11,357
Impairment losses recognised in respect of property, plant and equipment	49,942	–	–	49,942
Loss recognised relating to a litigation case	6,156	–	–	6,156
Finance costs	30,658	–	2,860	33,518
	30,658	–	2,860	33,518

For the year ended 31st December, 2019

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measurement of segment results or segment assets:				
Additions to property, plant and equipment	32,026	1,267	–	33,293
Depreciation of property, plant and equipment	2,653	427	–	3,080
Depreciation of right-of-use assets	32,570	–	–	32,570
Interest income on amount due from the sole shareholder	–	–	2,434	2,434
Gain on land resumption by the government	67,058	28,094	–	95,152
Waiver of interest payable on loans from outsiders	19,785	–	–	19,785
Finance costs	18,646	–	4,000	22,646
	18,646	–	4,000	22,646

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For the year ended 31st December, 2020

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measurement of segment results or segment assets:				
Additions to property, plant and equipment	20,570	–	–	20,570
Depreciation of property, plant and equipment	22,565	377	–	22,942
Depreciation of right-of-use assets	24,178	–	–	24,178
Interest income on amount due from the sole shareholder	–	–	2,745	2,745
Waiver of payables for acquisition of property, plant and equipment upon finalisation of a litigation case	–	5,381	–	5,381
Finance costs	23,474	–	4,000	27,474
	<u>23,474</u>	<u>–</u>	<u>4,000</u>	<u>27,474</u>

For the three months ended 31st March, 2020 (unaudited)

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measurement of segment results or segment assets:				
Additions to property, plant and equipment	5,956	–	–	5,956
Depreciation of property, plant and equipment	5,031	109	–	5,140
Depreciation of right-of-use assets	6,334	–	–	6,334
Interest income on amount due from the sole shareholder	–	–	631	631
Finance costs	5,788	–	995	6,783
	<u>5,788</u>	<u>–</u>	<u>995</u>	<u>6,783</u>

For the three months ended 31st March, 2021

	Port and port-related services <i>HK\$'000</i>	Trading of petrochemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measurement of segment results or segment assets:				
Additions to property, plant and equipment	7,014	–	–	7,014
Depreciation of property, plant and equipment	7,182	19	–	7,201
Depreciation of right-of-use assets	5,854	–	–	5,854
Interest income on amount due from the sole shareholder	–	–	642	642
Finance costs	4,858	–	986	5,844
	<u>4,858</u>	<u>–</u>	<u>986</u>	<u>5,844</u>

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

Geographical information

Thousand Vantage Group's revenue and non-current assets (excluding amount due from the sole shareholder) are located in the PRC.

Information about major customers

Revenue from customers of the corresponding year/period contributing over 10% of Thousand Vantage Group's revenue are as follows:

Customer	Segment	Year ended 31st December,			Three months ended	
		2018	2019	2020	31st March, 2020	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Customer A	Port and port-related services	N/A ¹	N/A ¹	17,043	4,910	3,944
Customer B	Port and port-related services	N/A ¹	N/A ¹	N/A ¹	N/A ¹	3,721
Customer C	Port and port-related services	9,247	11,958	9,880	2,855	2,287
Customer D	Port and port-related services	9,201	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Customer E	Port and port-related services	6,116	4,947	N/A ¹	N/A ¹	N/A ¹
Customer F	Port and port-related services	N/A ¹	7,726	N/A ¹	N/A ¹	N/A ¹
Customer G	Port and port-related services	N/A ¹	N/A ¹	N/A ¹	3,660	N/A ¹
Customer H	Trading of petrochemical products	11,603	N/A ¹	N/A ¹	N/A ¹	N/A ¹

¹ The corresponding revenue did not contribute over 10% of total revenue of Thousand Vantage Group for the year/period.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

6. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31st December,			Three months ended	
	2018	2019	2020	31st March, 2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	33	10	21	7	4
Interest income on amount due from the sole shareholder (note 16)	1,025	2,434	2,745	631	642
Gain on land resumption from the government (Note i)	–	95,152	–	–	–
Gain (loss) on disposals/write-off of property, plant and equipment	1,049	(803)	(2,712)	–	(2,539)
Waiver of interest payable on loans from outsiders (Note ii)	–	19,785	–	–	–
Impairment loss (recognised) reversal of VAT recoverable	(11,357)	421	(11)	–	–
Impairment losses recognised in respect of property, plant and equipment	(49,942)	–	–	–	–
Charge on late repayment of construction payables (note 39)	(398)	(3,669)	(3,945)	(869)	(916)
Loss recognised relating to a litigation case (Note iii)	(6,156)	–	–	–	–
Revaluation loss of buildings recognised in profit or loss	(820)	–	–	–	–
Waiver of payables for acquisition of property, plant and equipment upon finalisation of a litigation case	–	–	5,381	–	–
Net foreign exchange (losses) gains	(5,884)	(3,117)	9,673	(3,554)	(1,001)
Others	108	(1,233)	(540)	8	(35)
	<u>(72,342)</u>	<u>108,980</u>	<u>10,612</u>	<u>(3,777)</u>	<u>(3,845)</u>

Notes:

- (i) During the year ended 31st December, 2019, Thousand Vantage Group entered into an agreement with the relevant government authority in Qinzhou, the PRC, pursuant to which land use rights of certain parcels of land in Qinzhou, the PRC, together with certain structures and other assets thereon, were resumed by the relevant government authority at a consideration by way of cash compensation of RMB237,100,000 (equivalent to HK\$268,886,000) (the “**Land Resumption**”). The relevant land use rights and property, plant and equipment disposed of as a result of the Land Resumption have carrying amounts of HK\$4,678,000 and HK\$150,864,000, respectively, at the date of disposal, and the Land Resumption resulted in a gain (net of related expenses) of HK\$95,152,000 during the year ended 31st December, 2019.
- (ii) During the year ended 31st December, 2019, Thousand Vantage Group entered into agreements with the lenders of the loans from outsiders in respect of the waiver of interest payable on the loans for the periods from 2015 to 2018 amounting to HK\$19,785,000 in total. As at 31st December, 2019, Thousand Vantage Group has no outstanding loan principal and interest payable to the lenders of the loans.
- (iii) A subsidiary of Thousand Vantage was involved in a litigation case which was settled during the year ended 31st December, 2018 and a loss of HK\$6,156,000 was recognised during the year ended 31st December, 2018.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

7. FINANCE COSTS

	Year ended 31st December,			Three months ended	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	31st March, 2020 HK\$'000 (Unaudited)	2021 HK\$'000
Interests on bank borrowing	4,631	3,310	9,468	2,402	2,407
Interests on loans from outsiders	3,715	89	–	–	–
Interests on lease liabilities	–	28,880	15,806	3,677	2,744
Interests on finance leases	42,537	–	–	–	–
Interests on preference shares at amortised cost	2,860	4,000	4,000	995	986
	53,743	36,279	29,274	7,074	6,137
Amounts capitalised in the cost of qualifying assets	(20,225)	(13,633)	(1,800)	(291)	(293)
	<u>33,518</u>	<u>22,646</u>	<u>27,474</u>	<u>6,783</u>	<u>5,844</u>

Borrowing costs capitalised during the years ended 31st December, 2018, 2019 and 2020 and the three months ended 31st March, 2020 and 2021 that arose on the general borrowing pool are calculated by applying a capitalisation rate of 6.24%, 3.88%, 2.57%, 1.51% (unaudited) and 1.51% per annum, respectively, to expenditures on qualifying assets.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

8. (LOSS) PROFIT BEFORE TAXATION

	Year ended 31st December,			Three months ended	
	2018	2019	2020	31st March, 2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging (crediting):				(Unaudited)	
Staff costs, including directors' emoluments:					
Salaries and other benefits	12,511	11,010	12,609	2,841	2,985
Retirement benefit scheme contributions	1,722	1,721	739	235	460
	<u>14,233</u>	<u>12,731</u>	<u>13,348</u>	<u>3,076</u>	<u>3,445</u>
Auditor's remuneration	1,486	675	790	198	198
Depreciation of property, plant and equipment	37,783	3,080	22,942	5,140	7,201
Depreciation of right-of-use assets	–	32,570	24,178	6,334	5,854
Amortisation of prepaid lease payments	279	–	–	–	–
Cost of inventories recognised as cost of sales (including write-down of inventories)	15,452	1,878	–	–	–
Minimum lease payments under operating leases	82	–	–	–	–

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

9. INCOME TAX CREDIT

	Year ended 31st December,			Three months ended	
	2018	2019	2020	31st March,	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2020</i>	<i>2021</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Deferred tax (note 27)	–	–	(2,465)	(1,278)	(1,397)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods. No provision for Hong Kong Profits Tax was made for the years ended 31st December, 2018, 2019 and 2020 and the three months ended 31st March, 2020 and 2021 since the relevant group entity had no assessable profits during the Relevant Periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for the group entities in the PRC. No provision for the EIT was made for the years ended 31st December, 2018, 2019 and 2020 and the three months ended 31st March, 2020 and 2021 since the relevant group entities had no assessable profits during the Relevant Periods.

The income tax credit for the Relevant Periods can be reconciled to the (loss) profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31st December,			Three months ended	
	2018	2019	2020	31st March,	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2020</i>	<i>2021</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
(Loss) profit before taxation	(132,086)	59,797	(11,142)	(12,218)	(10,167)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Tax at PRC EIT rate of 25%	(33,022)	14,949	(2,786)	(3,055)	(2,542)
Tax effect of expenses not deductible for tax purpose	19,915	1,942	3,904	1,426	1,014
Tax effect of income not taxable for tax purpose	(127)	(129)	(2,941)	–	–
Tax effect of tax losses not recognised	12,422	–	–	–	–
Recognition of tax losses previously not recognised	–	(17,302)	–	–	–
Effect of difference in tax rate of an entity operating in another jurisdiction	812	540	(642)	351	131
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income tax credit for the year/period	–	–	(2,465)	(1,278)	(1,397)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

	Fees <i>HK\$'000</i>	Salaries and other benefit <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended					
31st December, 2018					
Directors:					
Zhu Bin	-	-	-	-	-
Liu Zheng (<i>appointed on 16th April, 2018</i>)	-	-	-	-	-
Chu Kan Hing (<i>appointed on 16th April, 2018</i>)	-	-	-	-	-
Kan Shuk Fong (<i>appointed on 16th April, 2018</i>)	-	-	-	-	-
Liang Zhiguang (<i>appointed on 16th April, 2018</i>)	-	54	-	-	54
Mohamad Dahlan Norintan Binte (<i>appointed on 24th August, 2018</i>)	-	-	-	-	-
Heinrich Grabner (<i>appointed on 16th April, 2018</i>)	-	-	-	-	-
Yip Wai Ling Sally (<i>appointed on 16th April, 2018 and resigned on 24th August, 2018</i>)	-	-	-	-	-
	-	-	-	-	-
	-	54	-	-	54
	-	54	-	-	54
For the year ended					
31st December, 2019					
Directors:					
Zhu Bin	-	-	-	-	-
Liu Zheng	-	-	-	-	-
Chu Kan Hing	-	-	-	-	-
Kan Shuk Fong	-	-	-	-	-
Liang Zhiguang	-	324	-	-	324
Mohamad Dahlan Norintan Binte	-	-	-	-	-
Heinrich Grabner	-	-	-	-	-
	-	-	-	-	-
	-	324	-	-	324
	-	324	-	-	324

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

	Fees <i>HK\$'000</i>	Salaries and other benefit <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended					
31st December, 2020					
Directors:					
Zhu Bin	-	-	-	-	-
Liu Zheng	-	-	-	-	-
Chu Kan Hing	-	-	-	-	-
Kan Shuk Fong	-	-	-	-	-
Liang Zhiguang	-	411	5	-	416
Mohamad Dahlan Norintan Binte	-	-	-	-	-
Heinrich Grabner	-	-	-	-	-
	-	411	5	-	416
	<u>-</u>	<u>411</u>	<u>5</u>	<u>-</u>	<u>416</u>
For the three months ended					
31st March, 2020 (unaudited)					
Directors:					
Zhu Bin	-	-	-	-	-
Liu Zheng	-	-	-	-	-
Chu Kan Hing	-	-	-	-	-
Kan Shuk Fong	-	-	-	-	-
Liang Zhiguang	-	100	-	-	100
Mohamad Dahlan Norintan Binte	-	-	-	-	-
Heinrich Grabner	-	-	-	-	-
	-	100	-	-	100
	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
For the three months ended					
31st March, 2021					
Directors:					
Zhu Bin	-	-	-	-	-
Liu Zheng	-	-	-	-	-
Chu Kan Hing	-	-	-	-	-
Kan Shuk Fong	-	-	-	-	-
Liang Zhiguang	-	108	4	-	112
Mohamad Dahlan Norintan Binte	-	-	-	-	-
Heinrich Grabner	-	-	-	-	-
	-	108	4	-	112
	<u>-</u>	<u>108</u>	<u>4</u>	<u>-</u>	<u>112</u>

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

(b) Five highest paid employees

The five highest paid employees of Thousand Vantage Group during the years ended 31st December, 2018, 2019 and 2020 and the three months ended 31st March, 2020 and 2021 included nil, 1, 1, 1 (unaudited) and 1 director of Thousand Vantage, respectively, details of whose emoluments are set out in note (a) above. Amounts disclosed as follows represent the remuneration of the remaining 5, 4, 4, 4 (unaudited) and 4 highest paid employees.

	Year ended 31st December,			Three months ended	
	2018	2019	2020	31st March, 2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	1,215	779	822	203	209
Retirement benefit scheme contributions	15	47	26	6	17
	<u>1,230</u>	<u>826</u>	<u>848</u>	<u>209</u>	<u>226</u>

The emoluments were within the following bands:

	Number of individuals				
	Year ended 31st December,			Three months ended	
	2018	2019	2020	31st March, 2020	2021
Nil to HK\$1,000,000	5	4	4	4	4

During the Relevant Periods, no emoluments were paid by Thousand Vantage Group to the five highest paid individuals, including the director of Thousand Vantage, as an inducement to join or upon joining Thousand Vantage Group or as compensation for loss of office. In addition, no directors has waived any emoluments during the Relevant Periods.

11. DIVIDENDS

No dividend was declared or paid by Thousand Vantage during the Relevant Periods.

12. (LOSS) EARNING PER SHARE

(Loss) earning per share has not been presented as its inclusion is not considered meaningful for the purpose of the Historical Financial Information in this report.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

13. PROPERTY, PLANT AND EQUIPMENT

	Owned properties <i>HK\$'000</i>	Port infrastructure <i>HK\$'000</i>	Oil tanks and related facilities <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST OR VALUATION								
At 1st January, 2018	1,454	54,421	663,403	43,861	4,020	6,455	419,278	1,192,892
Additions	-	-	-	1,153	27	1,339	198,974	201,493
Disposals	-	-	-	(40)	-	(4,026)	-	(4,066)
Deficit on revaluation	(939)	-	-	-	-	-	-	(939)
Transfer	-	-	133,217	1,016	-	-	(134,233)	-
Exchange realignment	(47)	(2,614)	(35,079)	(2,159)	(194)	(246)	(21,452)	(61,791)
	468	51,807	761,541	43,831	3,853	3,522	462,567	1,327,589
At 31st December, 2018								
Adjustments upon application of HKFRS 16	-	-	(737,503)	(34,876)	(1,329)	(2,121)	-	(775,829)
	468	51,807	24,038	8,955	2,524	1,401	462,567	551,760
At 1st January, 2019 (restated)								
Additions	-	-	-	532	33	117	37,685	38,367
Disposals/write-off	(465)	-	-	(3,476)	(1,131)	(185)	(150,864)	(156,121)
Transfer	-	250,996	12,934	6,919	61	-	(270,910)	-
Exchange realignment	(3)	(4,745)	(690)	(245)	(37)	(28)	(4,034)	(9,782)
	-	298,058	36,282	12,685	1,450	1,305	74,444	424,224
At 31st December, 2019								
Additions	-	-	218	88	30	19	20,215	20,570
Transfer from right-of-use assets	-	-	159,682	30,324	1,308	2,087	-	193,401
Disposals/write-off	-	(22,708)	-	(2,685)	(8)	-	-	(25,401)
Transfer	-	-	3,886	19,425	1,369	-	(24,680)	-
Exchange alignment	-	18,448	12,489	3,744	262	216	4,681	39,840
	-	293,798	212,557	63,581	4,411	3,627	74,660	652,634
At 31st December, 2020								
Additions	-	-	-	-	-	102	6,912	7,014
Transfer from right-of-use assets	-	-	42,004	1,042	-	-	-	43,046
Disposals	-	-	(1,434)	(1,959)	(859)	(18)	-	(4,270)
Transfer	-	-	-	32	-	-	(32)	-
Exchange realignment	-	(1,886)	(1,705)	(401)	(21)	(24)	(537)	(4,574)
	-	291,912	251,422	62,295	3,531	3,687	81,003	693,850
At 31st March, 2021								

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

	Owned properties HK\$'000	Port infrastructure HK\$'000	Oil tanks and related facilities HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2018	–	31,440	60,523	25,141	2,404	5,811	–	125,319
Provided for the year	119	1,364	33,137	2,411	535	217	–	37,783
Impairment loss recognised in profit or loss	–	1,446	47,259	1,237	–	–	–	49,942
Eliminated on disposals	–	–	–	(36)	–	(3,825)	–	(3,861)
Eliminated on revaluation	(119)	–	–	–	–	–	–	(119)
Exchange realignment	–	(1,548)	(3,704)	(1,265)	(128)	(193)	–	(6,838)
At 31st December, 2018	–	32,702	137,215	27,488	2,811	2,010	–	202,226
Adjustments upon application of HKFRS 16	–	–	(130,792)	(23,753)	(1,152)	(1,908)	–	(157,605)
At 1st January, 2019 (restated)	–	32,702	6,423	3,735	1,659	102	–	44,621
Provided for the year	73	866	1,228	333	346	234	–	3,080
Eliminated on disposals/ write-off	(73)	–	–	(3,137)	(1,066)	(166)	–	(4,442)
Exchange realignment	–	(665)	(124)	(29)	(24)	(4)	–	(846)
At 31st December, 2019	–	32,903	7,527	902	915	166	–	42,413
Provided for the year	–	11,668	7,924	2,564	515	271	–	22,942
Transfer from right-of-use assets	–	–	37,649	23,198	1,223	1,896	–	63,966
Eliminated on disposals/write-off	–	(20,265)	–	(2,417)	(7)	–	–	(22,689)
Exchange alignment	–	1,575	2,711	1,448	167	143	–	6,044
At 31st December, 2020	–	25,881	55,811	25,695	2,813	2,476	–	112,676
Provided for the period	–	3,100	2,784	1,163	81	73	–	7,201
Transfer from right-of-use assets	–	–	9,741	412	–	–	–	10,153
Eliminated on disposals	–	–	(1,153)	(1,700)	(788)	(16)	–	(3,657)
Exchange alignment	–	(184)	(375)	(159)	(12)	(17)	–	(747)
At 31st March, 2021	–	28,797	66,808	25,411	2,094	2,516	–	125,626
CARRYING VALUES								
At 31st December, 2018	468	19,105	624,326	16,343	1,042	1,512	462,567	1,125,363
At 31st December, 2019	–	265,155	28,755	11,783	535	1,139	74,444	381,811
At 31st December, 2020	–	267,917	156,746	37,886	1,598	1,151	74,660	539,958
At 31st March, 2021	–	263,115	184,614	36,884	1,437	1,171	81,003	568,224

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

The above items of property, plant and equipment, other than construction in progress, less their residual values, are depreciated over their estimated useful lives on a straight-line basis as follows:

Owned properties	20 years
Port infrastructure	20 years
Oil tanks and related facilities	20 years
Plant and machinery	5–10 years
Furniture, fixtures and equipment	3–5 years
Motor vehicles	4–5 years

Disposal in respect of the Land Resumption

As disclosed in note 6, Thousand Vantage Group disposed of certain construction in progress as a result of the Land Resumption. The carrying amounts of property, plant and equipment disposed of have carrying amounts of HK\$150,864,000 at the date of disposal.

Sale and leaseback transactions – seller-lessee

To better manage Thousand Vantage Group's capital structure and financing needs, Thousand Vantage Group enters into sale and leaseback arrangements in relation to oil tanks and related facilities, plant and machinery, furniture, fixtures and equipment and motor vehicles.

Prior to 1st January, 2019, Thousand Vantage Group sold certain property, plant and equipment to 聯蔚(上海)融資租賃有限公司 (“聯蔚上海”) under sale and leaseback arrangements that resulted in finance leases. 聯蔚上海 is engaged in the provision of finance leasing services and was a related party of Thousand Vantage Group up to 8th March, 2018 since it was controlled by Mr. Zhu. On 8th March, 2018, 聯蔚上海 ceased to be Thousand Vantage Group's related party since Mr. Zhu no longer has controlling interests in the entity. As at 31st December, 2018, the carrying values of assets held under such sale and leaseback arrangements that resulted in finance lease were as follows:

	As at 31st December, 2018 <i>HK\$'000</i>
Oil tanks and related facilities	606,711
Plant and machinery	11,123
Furniture, fixtures and equipment	177
Motor vehicles	213
	<hr/>
	618,224
	<hr/> <hr/>

As disclosed in note 2, upon application of HKFRS 16 on 1st January, 2019, certain property, plant and equipment were reclassified to right-of-use assets and the outstanding amounts classified as obligations under finance leases under HKAS 17 as at 31st December, 2018 were reclassified to lease liabilities on 1st January, 2019.

Thousand Vantage Group did not enter into new sale and leaseback transactions during the years ended 31st December, 2019 and 2020 and the three months ended 31st March, 2021.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

Fair value measurement of Thousand Vantage Group's owned properties

Thousand Vantage Group's owned properties were withdrawn from use during the year ended 31st December, 2019 and were written off in full.

Thousand Vantage Group's owned properties as at 31st December, 2018 were measured using the revaluation model. The fair value of Thousand Vantage Group's owned properties as at 31st December, 2018 had been arrived at on the basis of valuations carried out on 31st December, 2018 by Roma Appraisals Limited, independent qualified professional valuer not connected with Thousand Vantage Group, who has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. Thousand Vantage Group examined the appropriateness for valuation techniques and inputs for fair value measurements.

The fair value measurements for Thousand Vantage Group's owned properties were categorised as Level 3. The fair values were determined based on the direct comparison method, which makes references to the recent transactions for similar properties in the proximity and adjusted for a number of unobservable inputs, including adjustments for the spread between the fair values and transaction prices of the properties, etc., between the comparable properties and the subject matters. A slight change in any of the unobservable inputs above holding all other factors constant would have no significant effect to the fair values of the owned properties. In estimating the fair values of the owned properties, the highest and best use of the owned properties is their current use. There had been no change to the valuation technique or level of fair value hierarchy.

Details of Thousand Vantage Group's owned properties and information about the fair value hierarchy as at 31st December, 2018 were as follows:

	Level 3 and fair value As at 31st December, 2018 HK\$'000
Owning properties on leasehold land in the PRC under long-term leases	<u>468</u>

As at 31st December, 2018, if the owned properties had not been revalued, they would have been included in the Historical Financial Information at historical cost less accumulated depreciation of HK\$2,155,000.

Impairment assessment

Due to the increase in loss for the year ended 31st December, 2018, the management of Thousand Vantage Group concluded there was indication for impairment and conducted impairment assessment of certain property, plant and equipment with carrying amount before making impairment for the Relevant Periods of HK\$1,175,305,000. Thousand Vantage Group estimates the recoverable amount of the cash-generating unit ("CGU") of port and port-related services segment to which the asset belongs when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established. The recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of Thousand Vantage Group with a pre-tax discount rate of 18.7%.

Based on the result of the assessment, the management of Thousand Vantage Group determined that the recoverable amount of the CGU is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment of HK\$49,942,000 has been recognised against the carrying amount of property, plant and equipment.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

14. RIGHT-OF-USE ASSETS

	Land use rights <i>HK\$'000</i>	Sea areas use rights <i>HK\$'000</i>	Oil tanks and related facilities <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
CARRYING VALUES							
At 1st January, 2019	6,629	2,572	606,711	11,123	177	213	627,425
At 31st December, 2019	1,638	2,462	563,185	9,142	84	190	576,701
At 31st December, 2020	1,681	2,564	448,223	1,840	–	–	454,308
At 31st March, 2021	1,653	2,532	407,455	1,139	–	–	412,779
DEPRECIATION CHARGE							
Provided for the year ended 31st December, 2019	246	58	30,399	1,758	90	19	32,570
Provided for the year ended 31st December, 2020	64	57	23,712	345	–	–	24,178
Provided for the three months ended 31st March, 2021	18	15	5,757	64	–	–	5,854
			As at 31st December, 2019	2020	As at 31st March, 2021		
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
Total cash outflow for leases			127,884	82,422	73,804		

Land use rights and sea areas use rights are granted by the relevant PRC government authorities to use certain land and sea areas located in Qinzhou, the PRC, and are depreciated over the relevant lease terms of 50 years.

As disclosed in note 6, Thousand Vantage Group disposed land use rights of certain parcels of land as a result of the Land Resumption. The carrying amounts of right-of-use assets disposed of have carrying amounts of HK\$4,678,000 at the date of disposal.

As at 31st December, 2019, 2020 and 31st March, 2021, all the right-of-use assets have been pledged to secure bank borrowing and sale and leaseback transactions raised by Thousand Vantage Group.

In addition, lease liabilities of HK\$599,724,000, HK\$567,370,000 and HK\$492,946,000 are recognised with related right-of-use assets of HK\$576,701,000, HK\$454,308,000 and HK\$412,779,000 as at 31st December, 2019 and 2020 and 31st March, 2021, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Details of the lease maturity analysis of lease liabilities are set out in note 24.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

15. PREPAID LEASE PAYMENTS

	As at 31st December, 2018 HK\$'000
Land use rights	6,629
Sea areas use rights	1,121
	7,750
Analysed for reporting purposes as:	
Current assets	273
Non-current assets	7,477
	7,750

Prepaid lease payments represent rights granted by the relevant PRC government authorities to use certain land and sea areas located in Qin Zhou, the PRC, and are amortised over the relevant lease terms of 50 years.

As disclosed in note 2, upon application of HKFRS 16 on 1st January, 2019, prepaid lease payments were reclassified to right-of-use assets.

16. AMOUNT DUE FROM (TO) THE SOLE SHAREHOLDER

Amount due from the sole shareholder

	Maximum balance outstanding								
	As at 1st January, 2018	As at 31st December, 2018		As at 31st March, 2020		Year ended 31st December, 2020			Three months ended 31st March, 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Zhu	19,196	–	47,282	47,213	47,855	88,284	50,708	48,464	48,859

As at 31st December, 2019 and 2020 and 31st March, 2021, Thousand Vantage Group has an amount due from the sole shareholder of HK\$47,282,000, HK\$47,213,000 and HK\$47,855,000, respectively, that is unsecured, interest-free, non-trade related and repayable on demand. As at 31st December 2019, it was not considered to be repayable within twelve months from the end of the reporting period and is classified as non-current in the consolidated statements of financial position of Thousand Vantage Group. Such amount was measured at fair value at initial recognition using a market interest rate of 5.25% per annum and based on the management's estimate of the timing of recovery. The difference between the fair value at initial recognition and the amount advanced to the sole shareholder was recognised in equity as deemed distributions. The imputed interest income recognised in profit or loss during the years ended 31st December, 2018, 2019 and 2020 and the three months ended 31st March, 2020 and 2021, amounted to HK\$1,025,000, HK\$2,434,000, HK\$2,745,000, HK\$631,000 (unaudited) and HK\$642,000, respectively, as disclosed in note 6. Details of impairment assessment on amount due from the sole shareholder are set out in note 35.

Subsequent to 31st March, 2021, HK\$42,000,000 has been subsequently settled in cash by the sole shareholder.

Amount due to the sole shareholder

The amount due to Mr. Zhu as at 31st December, 2018 was unsecured, interest-free and repayable on demand.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

17. INVENTORIES

	As at 31st December,			As at
	2018	2019	2020	31st March,
	HK\$'000	HK\$'000	HK\$'000	2021
Finished goods less allowances	1,890	–	–	–
	<u>1,890</u>	<u>–</u>	<u>–</u>	<u>–</u>

As at 31st December, 2018, the carrying value of inventories was HK\$1,890,000 which was net of allowances of HK\$528,000.

18. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 31st December,			As at 31st
	2018	2019	2020	March,
	HK\$'000	HK\$'000	HK\$'000	2021
Trade receivables from contracts with customers	1,046	2,387	4,647	2,393
Prepayments	1,584	324	338	27,147
Advances to subcontractors	457	447	–	–
Advances to a third party	16,495	–	–	–
Deposits	993	972	83	83
VAT recoverable	16,301	11,031	9,473	9,200
Compensation receivable on land resumption by the government	–	132,480	115,078	55,127
Other receivables	33,713	967	103	293
	<u>70,589</u>	<u>148,608</u>	<u>129,722</u>	<u>94,243</u>
Trade and other receivables and deposits	<u>70,589</u>	<u>148,608</u>	<u>129,722</u>	<u>94,243</u>
Analysed for reporting purposes as:				
Current assets	69,676	147,714	129,722	94,243
Non-current assets	913	894	–	–
	<u>70,589</u>	<u>148,608</u>	<u>129,722</u>	<u>94,243</u>

As at 1st January, 2018, trade receivables from contracts with customers amounted to HK\$3,710,000.

The following is an aged analysis of trade receivables based on the date of rendering of services at the end of the Relevant Periods.

	As at 31st December,			As at 31st
	2018	2019	2020	March,
	HK\$'000	HK\$'000	HK\$'000	2021
1–30 days	740	2,387	2,125	1,287
31–60 days	81	–	1,939	82
61–90 days	225	–	9	476
Over 90 days	–	–	574	548
	<u>1,046</u>	<u>2,387</u>	<u>4,647</u>	<u>2,393</u>

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, included in the Thousand Vantage Group's trade receivables balance are debtors with aggregate carrying amount of HK\$306,000, nil, HK\$2,522,000 and HK\$1,106,000 which are past due. Out of the past due balances, as at 31st December, 2020 and 31st March, 2021, HK\$536,000 and HK\$520,000 have been past due 90 days or more and is not considered as in default because the management is of the opinion that the fundamental credit quality of these customers has not deteriorated. Thousand Vantage Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables and deposits are set out in note 35.

19. BANK BALANCES AND CASH

Bank balances carried interests at market rates from 0.30% to 0.35% throughout the Relevant Periods.

Bank balances and cash denominated in currencies other than the functional currency of the relevant group entities of Thousand Vantage Group are set out below:

	As at 31st December,			As at 31st
	2018	2019	2020	March,
	HK\$'000	HK\$'000	HK\$'000	2021
				HK\$'000
US\$	57,264	324	324	324
HK\$	151	10	373	373
	<u>57,415</u>	<u>334</u>	<u>697</u>	<u>697</u>

20. OTHER PAYABLES

	As at 31st December,			As at 31st
	2018	2019	2020	March,
	HK\$'000	HK\$'000	HK\$'000	2021
				HK\$'000
Payables for acquisition of property, plant and equipment	136,453	133,507	131,055	127,954
Accrued expenses	2,714	3,023	4,727	4,415
Other payables	987	1,683	3,170	3,184
	<u>140,154</u>	<u>138,213</u>	<u>138,952</u>	<u>135,553</u>

Thousand Vantage Group has financial risk management policies in place to ensure that payables are paid within the credit time frame.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

21. CONTRACT LIABILITIES

	As at 31st December,			As at 31st
	2018	2019	2020	March,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amounts received in advance in respect of provision of port and port-related services	295	243	226	251

As at 1st January, 2018, contract liabilities amounted to HK\$14,787,000.

Revenue recognised that was included in the contract liabilities balance at the beginning of the years/period ended 31st December, 2018, 2019 and 2020 and 31st March, 2021, amounted to HK\$14,787,000, HK\$295,000, HK\$243,000 and HK\$226,000, respectively.

Thousand Vantage Group receives advance payments in advance of the provision of port and port-related services and the delivery of petrochemical products.

22. LOANS FROM OUTSIDERS

As at 31st December, 2018, the amount represented loans advanced from third parties that were unsecured, interest-bearing at 4.90% per annum and repayable on demand. During the year ended 31st December, 2019, Thousand Vantage Group has settled the principal of loans from outsiders and entered into agreements with the lenders of the loans from outsiders in respect of the waiver of interest payable on the loans for the periods from 2015 to 2018 amounting to HK\$19,785,000 in total as disclosed in note 6. As at 31st December, 2019, Thousand Vantage Group has no outstanding loan principal and interest payable to the lenders of the loans.

23. BANK BORROWING

	As at 31st December,			As at 31st
	2018	2019	2020	March,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2021 <i>HK\$'000</i>
Secured and guaranteed bank borrowing	–	145,580	143,328	142,409
Carrying amounts of bank borrowing are repayable:				
Within one year	–	22,655	36,057	35,826
Within a period of more than one year but not exceeding two years	–	22,350	35,757	35,528
Within a period of more than two years but not exceeding five years	–	100,575	71,514	71,055
Amount due for settlement within 12 months (shown under current liabilities)	–	145,580	143,328	142,409
	–	(22,655)	(36,057)	(35,826)
Amount for settlement after 12 months (shown under non-current liabilities)	–	122,925	107,271	106,583

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

As at 31st December, 2019 and 2020 and 31st March, 2021, the bank borrowing is secured by right-of-use assets as disclosed in note 14 and is guaranteed by a non-controlling shareholder of a subsidiary. Thousand Vantage Group's bank borrowing carries interests at variable rate at 6.86% per annum as at 31st December, 2019 and 2020 and 31st March, 2021 with reference to the Benchmark Interest Rates for Deposits and Loans of Financial Institutions quoted by the People's Bank of China.

24. LEASE LIABILITIES

	As at 31st December,		As at 31st March,
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease liabilities payable:			
Within one year	153,082	148,486	118,543
Within a period of more than one year but not exceeding two years	329	417,552	373,083
Within a period of more than two years but not exceeding five years	445,260	219	217
Within a period of more than five years	1,053	1,113	1,103
	<u>599,724</u>	<u>567,370</u>	<u>492,946</u>
Amount due for settlement within 12 months (shown under current liabilities)	<u>(153,082)</u>	<u>(148,486)</u>	<u>(118,543)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>446,642</u>	<u>418,884</u>	<u>374,403</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 2.54% to 4.90% per annum as at 31st December, 2019 and 2020 and 31st March, 2021.

As disclosed in note 2, upon application of HKFRS 16 on 1st January, 2019, outstanding amounts classified as obligations under finance leases under HKAS 17 as at 31st December, 2018 were reclassified to lease liabilities on 1st January, 2019. They are pledged by the relevant right-of-use assets under the sale and leaseback arrangements as disclosed in note 31.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

25. OBLIGATIONS UNDER FINANCE LEASES

Prior to 1st January, 2019, certain of Thousand Vantage Group's property, plant and equipment were leased from 聯蔚上海, a related party of Thousand Vantage Group until 8th March, 2018, under sale and leaseback arrangements that resulted in finance leases. As at 31st December, 2018, the average lease terms were 5 years, and interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from 3.91% to 4.43% per annum. The leases have no terms of renewal but contain an option for Thousand Vantage Group to purchase the assets at negligible costs at the end of the lease terms.

	As at 31st December, 2018	
	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000
Obligations under finance leases payable:		
Within one year	36,699	4,952
More than one year but not exceeding two years	193,174	159,928
More than two years but not exceeding five years	633,002	580,109
	862,875	744,989
Future finance charges	(117,886)	N/A
Present value of lease obligations	744,989	744,989
Amount due for settlement within 12 months (shown under current liabilities)		(4,952)
Amount due for settlement after 12 months (shown under non-current liabilities)		740,037

As disclosed in note 2, upon application of HKFRS 16 on 1st January, 2019, outstanding amounts classified as obligations under finance leases under HKAS 17 as at 31st December, 2018 were reclassified to lease liabilities on 1st January, 2019.

26. PREFERENCE SHARES AT AMORTISED COST

In April 2018, Thousand Vantage entered into a subscription agreement with PT OBOR Financial Holdings Limited, a wholly-owned subsidiary of the Company, pursuant to which Thousand Vantage as issuer agreed to allot and issue and PT OBOR Financial Holdings Limited as subscriber (the "Subscriber") agreed to subscribe 100 preference shares at a total subscription price of HK\$200,000,000. The preference shares confer the Subscriber the right to receive cumulative fixed preferential dividend at the rate of 2% per annum of the subscription price up to the redemption date of 16th April, 2020. The preference shares are guaranteed by Mr. Zhu who has executed a share charge in favour of the Subscriber relating to all shares of Thousand Vantage.

On the date of the subscription agreement, Mr. Zhu was a borrower of a loan from the Subscriber and was personally indebted to the Subscriber in the amount of HK\$200,000,000. Pursuant to a deed of novation entered into between Mr. Zhu, the Subscriber and Thousand Vantage, Mr. Zhu novated to Thousand Vantage, and Thousand Vantage assumed, the obligations of Mr. Zhu's personal loan from the Subscriber of HK\$200,000,000. At the same time, Thousand Vantage recognised an amount due from Mr. Zhu of HK\$200,000,000 in respect of the novation of his personal loan to Thousand Vantage. The subscription price for the preference shares was settled by way of offsetting the loan due by Thousand Vantage (as novated from Mr. Zhu to Thousand Vantage pursuant to the deed of novation) to the Subscriber. Both the novation and offsetting constitute non-cash transactions.

During the year ended 31st December, 2018, Mr. Zhu has repaid the amount of HK\$200,000,000 due by him to Thousand Vantage in settlement of the subscription price of the preference shares.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

As Thousand Vantage has the contractual obligation under the subscription agreement to pay dividends on the preference shares and the redemption price of the preference shares upon redemption, the preference shares issued are accounted for as a financial liability at amortised cost of Thousand Vantage. During the years ended 31st December, 2018, 2019 and 2020 and the three months ended 31st March, 2020 and 2021, dividends arising on the preference shares amounting to HK\$2,860,000, HK\$4,000,000, HK\$4,000,000, HK\$995,000 (unaudited) and HK\$986,000, respectively, are recognised in profit or loss as interest on preference shares at amortised cost (included in finance costs).

On 9th November, 2020, Thousand Vantage Group entered into a supplemental agreement with the Subscriber and Mr. Zhu pursuant to which the parties conditionally agreed to extend the redemption date of the preference shares from the original redemption date of 16th April, 2020 to the new redemption date of 16th April, 2022 (the “**Extension**”). Save for the Extension, other principal terms of the preference shares remain the same.

27. DEFERRED TAXATION

Movements in deferred tax (assets) liabilities during the Relevant Periods are as follow:

	Accelerated tax depreciation <i>HK\$'000</i>	Gain on land resumption <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2018	4,167	–	(4,167)	–
(Credit) charge to profit or loss	(4,064)	–	4,064	–
Exchange realignment	(103)	–	103	–
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2018	–	–	–	–
Charge (credit) to profit or loss	–	23,788	(23,788)	–
Exchange realignment	–	(347)	347	–
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2019	–	23,441	(23,441)	–
Credit to profit or loss	–	–	(2,465)	(2,465)
Exchange realignment	–	1,560	(1,712)	(152)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2020	–	25,001	(27,618)	(2,617)
Credit to profit or loss	–	–	(1,397)	(1,397)
Exchange realignment	–	(160)	171	11
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2021	–	24,841	(28,844)	(4,003)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, Thousand Vantage Group had unused tax losses of approximately HK\$194,711,000, HK\$201,067,000, HK\$176,375,000 and HK\$132,204,000, respectively, available to offset against future profits. A deferred tax asset has been recognised in respect of nil, HK\$93,764,000, HK\$110,472,000 and HK\$115,376,000 of such losses, respectively. No deferred tax asset had been recognised in respect of the remaining tax losses of HK\$194,711,000, HK\$107,303,000, HK\$65,903,000 and HK\$16,828,000, respectively, due to the unpredictability of future profit streams. All the tax losses during the Relevant Periods will expire in 5 years.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

28. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Issued and fully paid:		
At 1st January, 2018, 31st December, 2018, 2019 and 2020 and 31st March, 2021		
- ordinary shares with no par value	360,000,000	360,000

29. OPERATING LEASES

Thousand Vantage Group as lessee

At 31st December, 2018, Thousand Vantage Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of the use of certain sea areas in Qinzhou, the PRC which fall due as follows:

	As at 31st December, 2018 <i>HK\$'000</i>
Minimum lease payments under operating leases:	
Within one year	80
In the second to fifth years inclusive	322
More than five years	3,218
	3,620

Operating lease payments represent rentals payable by Thousand Vantage Group for the use of certain sea areas in Qinzhou, the PRC. Rentals are fixed for 50 years.

30. CAPITAL COMMITMENTS

	As at 31st December,			As at 31st March,
	2018	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided for in the Historical Financial Information in respect of property, plant and equipment	398,591	278,506	290,133	290,960

31. PLEDGE OF ASSETS

	As at 31st December,			As at 31st March,
	2018	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets	–	576,701	454,308	412,779

As at 31st December, 2019 and 2020 and 31st March, 2021, a share charge in relation to all the issued ordinary shares of Thousand Vantage is executed in favour of the Subscriber in relation to the preference shares issued to the Subscriber as disclosed in note 26.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

32. RETIREMENT BENEFIT SCHEMES

The employees of Thousand Vantage Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. Thousand Vantage Group required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

The only obligation of Thousand Vantage Group with respect to these retirement benefit schemes is to make the specified contributions. During the Relevant Periods, the total amounts contributed by Thousand Vantage Group to the schemes and costs charged to the profit or loss represent contributions paid or payable to the schemes by Thousand Vantage Group. The retirement benefit scheme contributions made by Thousand Vantage Group amounted to HK\$1,722,000, HK\$1,721,000, HK\$739,000, HK\$235,000 (unaudited) and HK\$460,000 for each of the years ended 31st December, 2018, 2019 and 2020 and each of the three months ended 31st March, 2020 and 2021, respectively.

33. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of Thousand Vantage Group's outstanding balances with related parties are set out in the consolidated statements of financial position of Thousand Vantage Group and the statements of financial position of Thousand Vantage and in note 16.

(b) Related party transactions

Saved as disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, Thousand Vantage Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Year ended 31st December,			Three months ended 31st March,	
		2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2020 HK\$'000	2021 HK\$'000
Mr. Zhu ¹	Interest income	1,025	2,434	2,745	631	642
聯蔚上海 ²	Interests on finance leases	8,136	N/A	N/A	N/A	N/A

¹ Mr. Zhu is the sole shareholder and a director of Thousand Vantage.

² 聯蔚上海 is controlled by Mr. Zhu up to 8th March, 2018 as Mr. Zhu no longer has controlling interests in the entity.

(c) Compensation of key management personnel

	Year ended 31st December,			Three months ended 31st March,	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2020 HK\$'000	2021 HK\$'000
Salaries and allowances	1,003	664	656	165	170
Retirement benefit scheme contributions	11	13	17	4	12
	<u>1,014</u>	<u>677</u>	<u>673</u>	<u>169</u>	<u>182</u>

The remuneration of key management personnel is determined having regard to the performance of the individuals.

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

34. CAPITAL RISK MANAGEMENT

Thousand Vantage Group manages its capital to ensure that entities of Thousand Vantage Group will be able to continue as a going concern while maximising the return to the sole shareholder of Thousand Vantage through the optimisation of the debt and equity balance. Thousand Vantage Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Thousand Vantage Group consists of debts, net of cash and cash equivalents and equity attributable to the sole owner of Thousand Vantage, comprising issued share capital and reserves.

The directors of Thousand Vantage review the capital structure on a regular basis. As part of this review, the directors of Thousand Vantage consider the cost of capital and the risks associated with each class of the capital. Thousand Vantage Group will balance its overall capital structure through the payment of dividends, the issue of new debts or the redemption of existing debts.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31st December,			As at 31st
	2018	2019	2020	March,
	HK\$'000	HK\$'000	HK\$'000	2021
				HK\$'000
Financial assets				
Amortised cost (including cash and cash equivalents)	111,897	312,817	251,732	149,159
Financial liabilities				
Amortised cost	366,709	481,110	480,391	477,372

(b) Financial risk management objectives and policies

Thousand Vantage Group's major financial instruments include amount due from (to) the sole shareholder, trade and other receivables and deposits, bank balances and cash, other payables, loans from outsiders, bank borrowing, lease liabilities, obligations under finance leases and preference shares at amortised cost.

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

Market risks

(i) *Currency risk*

Thousand Vantage Group's amount due from (to) the sole shareholder, preference shares at amortised cost and certain bank balances and cash are denominated in currencies other than RMB, the functional currency of the respective group entities of Thousand Vantage Group, which expose the respective group entities of Thousand Vantage Group to foreign currency risk.

Thousand Vantage Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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The carrying amounts of Thousand Vantage Group's foreign currency denominated monetary assets and monetary liabilities at the end of each of the Relevant Periods are as follows:

	Assets				Liabilities			
	As at 31st December,		As at 31st		As at 31st December,		As at 31st	
	2018	2019	2020	March,	2018	2019	2020	March,
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$	57,264	324	324	324	-	-	-	-
HK\$	151	47,292	47,586	48,228	201,459	200,340	202,838	203,825

Sensitivity analysis

Thousand Vantage Group is mainly exposed to the fluctuation of foreign exchange rates of US\$ and HK\$.

The following table details Thousand Vantage Group's sensitivity to a 5% increase and decrease in RMB, the functional currency of the relevant group entities of Thousand Vantage Group, against the relevant foreign currencies. 5% is the sensitivity rate used in the management's assessment of the reasonably possible change in the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of each of the reporting periods for a 5% change in the functional currency of the relevant group entities of Thousand Vantage Group. A positive (negative) number below indicates an increase (a decrease) in profit for the year/period or a decrease (an increase) in loss for the year/period where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB, there would be an equal and opposite impact on the (loss) profit for the year/period.

	As at 31st December,			As at 31st
	2018	2019	2020	March,
	HK\$'000	HK\$'000	HK\$'000	2021
				HK\$'000
Impact on (loss) profit for the year/period				
US\$	(2,863)	(16)	(16)	(16)
HK\$	10,065	7,652	7,763	7,780

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

(ii) Interest rate risk

Thousand Vantage Group is exposed to fair value interest rate risk in relation to fixed-rate amount due from the sole shareholder, loans from outsiders, lease liabilities, obligations under finance leases and preference shares at amortised cost. Thousand Vantage Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowing. Thousand Vantage Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong prime rates quoted by relevant banks in Hong Kong for Thousand Vantage Group's bank balances in Hong Kong and RMB Benchmark Interest Rates for Deposits and Loans of Financial Institutions quoted by the People's Bank of China for Thousand Vantage Group's bank balances and bank borrowing in the PRC.

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Interest income from financial assets that measured at amortised cost amounted to HK\$1,058,000, HK\$2,444,000, HK\$2,766,000, HK\$638,000 (unaudited) and HK\$646,000 for the years ended 31st December, 2018, 2019 and 2020 and the three months ended 31st March, 2020 and 2021, respectively. Interest expense on financial liabilities at amortised cost (before amounts capitalised in the cost of qualifying assets) amounted to HK\$11,206,000, HK\$7,399,000, HK\$13,468,000, HK\$3,397,000 (unaudited) and HK\$3,393,000 for the years ended 31st December, 2018, 2019 and 2020 and the three months ended 31st March, 2020 and 2021, respectively.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the variable-rate interest-bearing financial assets and financial liabilities outstanding at the end of each Relevant Periods were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank balances and bank borrowing are used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on variable-rate interest-bearing bank balances and bank borrowing had been 50 basis points higher/lower and all other variables were held constant, Thousand Vantage Group's (loss) profit for the years ended 31st December, 2018 and 2019 would decrease/increase by HK\$9,000 and HK\$95,000, respectively; and the loss for the year ended 31st December, 2020 and the three months ended 31st March, 2021 would increase/decrease by HK\$114,000 and HK\$317,000, respectively.

Credit risk and impairment assessment

Credit risk refers to the risk that Thousand Vantage Group's counterparties default on their contractual obligations resulting in financial losses to Thousand Vantage Group. Thousand Vantage Group's credit risk exposures are primarily attributable to trade and other receivables and deposits, amount due from the sole shareholder and bank balances. Thousand Vantage Group does not hold any collateral or other credit enhancements to cover their credit risks associated with their financial assets.

Thousand Vantage Group performed impairment assessment for financial assets. Information about Thousand Vantage Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, is summarised below:

Trade receivables arising from contracts with customers

As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, Thousand Vantage Group has concentration of credit risk on trade receivables as 41%, 68%, 20% and 26% of the total trade receivables, respectively, were due from Thousand Vantage Group's largest customers. In order to minimise the credit risk, the management of Thousand Vantage Group has delegated a team responsible for determination of credit limits and credit approvals.

The directors of Thousand Vantage perform impairment assessment under ECL model on trade balances collectively. Under the ECL model, trade receivables are grouped based on shared credit risk characteristics by reference to repayment histories and past due exposure. No impairment loss is recognised during the years ended 31st December, 2018, 2019 and 2020 and the three months ended 31st March, 2020 and 2021 as the ECL are assessed to be insignificant. Details of the quantitative disclosures are set out below in this note.

Other receivables and deposits

The directors of Thousand Vantage perform impairment assessment under ECL model. Under the ECL model, the directors of Thousand Vantage make periodic individual assessment on the recoverability of other receivables and deposits based on past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of Thousand Vantage believe that there is no significant increase in credit risk of these amounts since initial recognition as there is no significant change in the credit profile of the counterparties and accordingly, Thousand Vantage Group assesses impairment based on 12m ECL.

Amount due from the sole shareholder

The directors of Thousand Vantage believe that there is no significant increase in credit risk on the amount due from the sole shareholder since initial recognition and Thousand Vantage Group assesses impairment based on 12m ECL.

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Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The directors of Thousand Vantage believe that there is no significant increase in credit risk of the amount since initial recognition and Thousand Vantage Group assesses impairment based on 12m ECL. No impairment loss is recognised during the years ended 31st December, 2018, 2019 and 2020 and the three months ended 31st March, 2020 and 2021 as the ECL are assessed to be insignificant.

As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, Thousand Vantage Group is exposed to concentration of credit risk on bank balances as 97%, 91%, 91% and 90% of the total bank balances are held in one bank, respectively.

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have significant long outstanding past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settles after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and Thousand Vantage Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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

		External credit rating	Internal credit rating	Lifetime ECL or 12m ECL	Gross carrying amount			
					As at 31st December,		As at 31st March,	
					2018	2019	2020	2021
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at amortised cost								
Trade receivables	(Note i)	N/A	Low risk	Lifetime ECL (collective assessment)	1,046	2,387	4,647	2,393
Other receivables and deposits	(Note ii)	N/A	Low risk	12m ECL	52,814	134,866	115,264	55,503
Amount due from the sole shareholder	(Note ii)	N/A	Low risk	12m ECL	–	48,240	48,217	48,859
Bank balances	(Note iii)	Aa3	N/A	12m ECL	59,193	128,265	84,608	43,408

Notes:

- (i) For trade receivables, Thousand Vantage Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Trade receivables are assessed for ECL collectively based on internal credit rating. No significant lifetime ECL is recognised on Thousand Vantage Group's trade receivables considering the historical default experience and forward-looking information that is available without undue cost or effort.
- (ii) The directors of Thousand Vantage consider that the credit risk of the balances has not increased significantly since initial recognition considering that the counterparties are assessed to have financial capability to settle the outstanding balances. As such, Thousand Vantage Group assesses the balances for impairment equal to 12m ECL under the ECL model.
- (iii) Thousand Vantage Group's bank balances are measured at 12m ECL as there is no significant increase in credit risk since initial recognition. No significant 12m ECL is recognised considering the reputation and credit ratings of the banks.

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The following tables show reconciliation of loss allowances that has been recognised for other receivables and deposits and amount due from the sole shareholder.

	12m ECL <i>HK\$'000</i>
As at 1st January, 2018	2,330
Impairment losses reversed	(1,133)
Exchange realignment	(41)
	<hr/>
As at 31st December, 2018	1,156
Impairment losses reversed	(191)
Exchange realignment	(7)
	<hr/>
As at 31st December, 2019	958
Impairment losses recognised	46
	<hr/>
As at 31st December, 2020 and 31st March, 2021	<u>1,004</u>

Liquidity risk

As at 31st March, 2021, Thousand Vantage Group recorded net current liabilities of HK\$108,492,000. The considerations of going concern assessment prepared by the directors of Thousand Vantage are set out in note 1.

In management of the liquidity risk, Thousand Vantage Group relies on loans from outsiders, bank borrowing, lease liabilities, obligations under finance leases and preference shares at amortised cost as significant sources of liquidity. Management also monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance Thousand Vantage Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail Thousand Vantage Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Thousand Vantage Group can be required to pay.

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The tables include both interest and principal cash flows. To the extent that interest flows are at floating rates, the undiscounted amount is derived from interest rate at the end of the Relevant Periods.

Liquidity tables

As at 31st December, 2018

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying
									amount at
									31st December, 2018 HK\$'000
Other payables	-	137,440	-	-	-	-	-	137,440	137,440
Amount due to the sole shareholder	-	451	-	-	-	-	-	451	451
Obligations under finance leases	4.29	6,571	5,476	24,652	193,174	633,002	-	862,875	744,989
Loans from outsiders	4.90	27,810	-	-	-	-	-	27,810	27,810
Preference shares at amortised cost	2.00	1,008	647	3,014	201,501	-	-	206,170	201,008
		<u>173,280</u>	<u>6,123</u>	<u>27,666</u>	<u>394,675</u>	<u>633,002</u>	<u>-</u>	<u>1,234,746</u>	<u>1,111,698</u>

As at 31st December, 2019

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying
									amount at
									31st December, 2019 HK\$'000
Other payables	-	135,190	-	-	-	-	-	135,190	135,190
Bank borrowing	6.86	1,135	1,661	29,441	30,783	117,824	-	180,844	145,580
Preference shares at amortised cost	2.00	340	658	200,504	-	-	-	201,502	200,340
Lease liabilities	2.64	35,303	2,132	131,252	12,153	458,894	3,072	642,806	599,724
		<u>171,968</u>	<u>4,451</u>	<u>361,197</u>	<u>42,936</u>	<u>576,718</u>	<u>3,072</u>	<u>1,160,342</u>	<u>1,080,834</u>

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As at 31st December, 2020

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31st December, 2020 HK\$'000
Other payables	–	134,225	–	–	–	–	–	134,225	134,225
Bank borrowing	6.86	12,993	1,524	30,942	42,503	77,238	–	165,200	143,328
Preference shares at amortised cost	2.00	2,838	647	3,353	201,151	–	–	207,989	202,838
Lease liabilities	2.64	8,008	67,866	83,524	430,668	252	3,193	593,511	567,370
		<u>158,064</u>	<u>70,037</u>	<u>117,819</u>	<u>674,322</u>	<u>77,490</u>	<u>3,193</u>	<u>1,100,925</u>	<u>1,047,761</u>

As at 31st March, 2021

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31st March, 2021 HK\$'000
Other payables	–	131,138	–	–	–	–	–	131,138	131,138
Bank borrowing	6.86	12,910	13,357	18,901	42,230	76,742	–	164,140	142,409
Preference shares at amortised cost	2.00	3,825	668	3,332	200,164	–	–	207,989	203,825
Lease liabilities	2.64	48,153	1,113	80,428	383,093	250	3,089	516,126	492,946
		<u>196,026</u>	<u>15,138</u>	<u>102,661</u>	<u>625,487</u>	<u>76,992</u>	<u>3,089</u>	<u>1,019,393</u>	<u>970,318</u>

The amounts included above for variable-rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the Relevant Periods.

(c) Fair value measurements of financial instruments

The management considers that the carrying amounts of the financial assets and financial liabilities of Thousand Vantage Group recorded at amortised cost in the Historical Financial Information at the end of each Relevant Periods approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail changes in Thousand Vantage Group's liability arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Thousand Vantage Group's consolidated statements of cash flows as cash from financing activities:

	Amount due to the sole shareholder <i>HK\$'000</i>	Loans from outsiders <i>HK\$'000</i>	Bank borrowing <i>HK\$'000</i>	Lease liabilities/ obligations under finance leases <i>HK\$'000</i>	Preference shares at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2018	–	155,260	190,289	617,223	–	962,772
Financing cash flows	451	(126,656)	(190,236)	94,697	(1,852)	(223,596)
Non-cash changes						
Interest expenses	–	3,715	4,631	42,537	2,860	53,743
Unrealised exchange losses	–	–	–	–	4,923	4,923
Initial recognition on sale and leaseback arrangement of which proceeds were received in subsequent year	–	–	–	24,066	–	24,066
Issuance of preference shares at amortised cost (<i>note 26</i>)	–	–	–	–	200,000	200,000
Exchange realignment	–	(4,509)	(4,684)	(33,534)	(4,923)	(47,650)
At 31st December, 2018	451	27,810	–	744,989	201,008	974,258
Adjustment upon application of HKFRS 16	–	–	–	1,451	–	1,451
At 1st January, 2019	451	27,810	–	746,440	201,008	975,709
Financing cash flows	(451)	(7,764)	144,463	(161,906)	(4,668)	(30,326)
Non-cash changes						
Interest expenses	–	89	3,310	28,880	4,000	36,279
Waiver of interest payable on loans from outsiders	–	(19,785)	–	–	–	(19,785)
Unrealised exchange losses	–	–	–	–	4,231	4,231
Exchange realignment	–	(350)	(2,193)	(13,690)	(4,231)	(20,464)
At 31st December, 2019	–	–	145,580	599,724	200,340	945,644
Financing cash flows	–	–	(20,702)	(82,422)	(1,502)	(104,626)
Non-cash changes						
Interest expenses	–	–	9,468	15,806	4,000	29,274
Unrealised exchange gains	–	–	–	–	(12,710)	(12,710)
Exchange realignment	–	–	8,982	34,262	12,710	55,954
At 31st December, 2020	–	–	143,328	567,370	202,838	913,536
Financing cash flows	–	–	(2,409)	(73,804)	–	(76,213)
Non-cash changes						
Interest expenses	–	–	2,407	2,744	986	6,137
Unrealised exchange losses	–	–	–	–	1,322	1,322
Exchange realignment	–	–	(917)	(3,364)	(1,321)	(5,602)
At 31st March, 2021	–	–	142,409	492,946	203,825	839,180

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	Amount due to the sole shareholder <i>HK\$'000</i>	Loans from outsiders <i>HK\$'000</i>	Bank borrowing <i>HK\$'000</i>	Lease liabilities/ obligations under finance leases <i>HK\$'000</i>	Preference shares at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2020	–	–	145,580	599,724	200,340	945,644
Financing cash flows	–	–	(2,410)	(32,463)	(998)	(35,871)
Non-cash changes						
Interest expenses	–	–	2,402	3,677	995	7,074
Unrealised exchange gains	–	–	–	–	4,699	4,699
Exchange realignment	–	–	(3,360)	(14,270)	(4,699)	(22,329)
At 31st March, 2020 (unaudited)	–	–	142,212	556,668	200,337	899,217

37. PARTICULARS OF SUBSIDIARIES

During the Relevant Periods and as at the date of this report, Thousand Vantage has the following subsidiaries:

Name of subsidiary	Place and date of establishment	Place of operation	Registered share capital	Proportion of ownership interests/ voting rights held by Thousand Vantage					Principal activities	Notes
				As at 31st December,		As at 31st March,		Date of this report		
				2018	2019	2020	2021			
Directly held										
Guangming Port	The PRC	The PRC	RMB600,000,000	75%/75%	75%/75%	75%/75%	75%/75%	75%/75%	Provision of port and port-related services	(i)
Indirectly held										
欽州市欽州港通明化工有限公司 ("Tongming Chemicals")	The PRC	The PRC	RMB100,000,000	75%/75%	75%/75%	75%/75%	75%/75%	75%/75%	Trading of petrochemical products	(ii)
欽州市欽州港廣明油晶貿易有限公司 ("Guangming Oil")	The PRC	The PRC	RMB1,000,000	75%/75%	75%/75%	75%/75%	75%/75%	75%/75%	Inactive	(iii)
廣西北部灣廣明能源有限公司 ("Guangming Energy")	The PRC	The PRC	RMB100,000,000	75%/75%	75%/75%	75%/75%	75%/75%	75%/75%	Inactive	(iii)

All subsidiaries are limited liability companies and have adopted 31st December as their financial year end date.

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Notes:

- (i) The statutory financial statements of Guangming Port for each of the years ended 31st December, 2018 and 2019 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises. The statutory financial statements for each of the years ended 31st December, 2018 and 2019 were audited by 祥浩會計師事務所有限公司, certified public accountants registered in the PRC.
- (ii) No audited financial statements of Tongming Chemicals have been prepared since they were established in jurisdictions where there are no statutory audit requirements.
- (iii) No audited financial statements of Guangming Oil and Guangming Energy have been prepared since their respective dates of establishment as they have been inactive since their respective dates of establishment.

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of Thousand Vantage Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests/ voting rights held by non-controlling interests				(Loss) profit attributable to non-controlling interests					Accumulated non-controlling interests			
		As at 31st December,		As at 31st March,		Year ended 31st December,			Three months ended 31st March,		As at 31st December,			As at 31st March,
		2018	2019	2020	2021	2018	2019	2020	2020	2021	2018	2019	2020	2021
						HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guangming Port	The PRC	25%/25%	25%/25%	25%/25%	25%/25%	(30,490)	16,475	(4,045)	(1,703)	(1,717)	42,640	57,657	60,202	52,502

Summarised financial information in respect of Guangming Port and its subsidiaries is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Guangming Port and its subsidiaries

	As at 31st December,			As at
	2018	2019	2020	31st March,
	HK\$'000	HK\$'000	HK\$'000	2021
	HK\$'000			
Non-current assets	1,133,753	959,587	996,883	985,006
Current assets	73,621	275,665	213,636	136,957
Current liabilities	(173,002)	(313,309)	(322,915)	(289,170)
Non-current liabilities	(740,037)	(569,567)	(525,955)	(480,986)
	<u>294,335</u>	<u>352,376</u>	<u>361,449</u>	<u>351,807</u>
Equity attributable to:				
Sole owner of Thousand Vantage	251,695	294,719	301,247	299,305
Non-controlling interests of Guangming Port	<u>42,640</u>	<u>57,657</u>	<u>60,202</u>	<u>52,502</u>
	<u>294,335</u>	<u>352,376</u>	<u>361,449</u>	<u>351,807</u>

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

	Year ended 31st December,			Three months ended	
	2018	2019	2020	31st March,	
	HK\$'000	HK\$'000	HK\$'000	2020	2021
				(Unaudited)	
				HK\$'000	HK\$'000
Revenue	52,207	37,383	79,301	15,274	18,691
Other income, other gains and losses	(16,136)	110,812	(1,807)	(854)	(3,485)
Expenses and taxation	(158,600)	(82,039)	(93,719)	(21,229)	(22,432)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(Loss) profit for the year/period	(122,529)	66,156	(16,225)	(6,809)	(7,226)
Other comprehensive (expense) income for the year/period	(21,018)	(8,215)	24,166	(10,526)	(819)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive (expense) income for the year/period	<u>(143,547)</u>	<u>57,941</u>	<u>7,941</u>	<u>(17,335)</u>	<u>(8,045)</u>
(Loss) profit for the year/period attributable to:					
Sole owner of Thousand Vantage	(92,039)	49,681	(12,180)	(5,106)	(5,509)
Non-controlling interests of Guangming Port	(30,490)	16,475	(4,045)	(1,703)	(1,717)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(Loss) profit for the year/period	<u>(122,529)</u>	<u>66,156</u>	<u>(16,225)</u>	<u>(6,809)</u>	<u>(7,226)</u>
Other comprehensive (expense) income for the year/period attributable to:					
Sole owner of Thousand Vantage	(16,580)	(6,757)	17,576	(10,479)	5,164
Non-controlling interest of Guangming Port	(4,438)	(1,458)	6,590	(47)	(5,983)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other comprehensive (expense) income for the year/period	<u>(21,018)</u>	<u>(8,215)</u>	<u>24,166</u>	<u>(10,526)</u>	<u>(819)</u>
Total comprehensive (expense) income for the year/period attributable to:					
Sole owner of Thousand Vantage	(108,619)	42,924	5,396	(15,585)	(345)
Non-controlling interests of Guangming Port	(34,928)	15,017	2,545	(1,750)	(7,700)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive (expense) income for the year/period	<u>(143,547)</u>	<u>57,941</u>	<u>7,941</u>	<u>(17,335)</u>	<u>(8,045)</u>
Net cash (outflow) inflow from operating activities	(353)	2,705	66,559	(2,524)	(12,115)
Net cash (outflow) inflow from investing activities	(53,223)	111,674	(3,705)	9,146	47,139
Net cash (outflow) inflow from financing activities	(179,443)	8,815	(103,124)	(34,873)	(76,213)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash (outflow) inflow	<u>(233,019)</u>	<u>123,194</u>	<u>(40,270)</u>	<u>(28,251)</u>	<u>(41,189)</u>

APPENDIX II ACCOUNTANTS' REPORT ON THOUSAND VANTAGE GROUP

39. CONTINGENT LIABILITIES

In May 2021, Guangming Port became a defendant in a legal action involving the outstanding payment together with accrued interests of RMB107,066,000 (equivalent to HK\$126,793,000) in relation to the fee for construction of the port's infrastructure from a construction company (the "**Plaintiff**") in the PRC (the "**Legal Action**"). The directors of Thousand Vantage Group is currently seeking legal advice and intend to defend and contest the Plaintiff 's claims.

Among the plaintiff's claims of RMB107,066,000, the directors of Thousand Vantage Group consider that RMB24,304,000 (equivalent to HK\$28,782,000) has been overcharged and therefore the possibility of this claim to be remote. The remaining claims under the Legal Action have been included in other payables at the end of the Relevant Periods.

Other than disclosed above, Thousand Vantage Group did not have any material contingent liabilities as at 31st December, 2018, 2019 and 2020 and 31st March, 2021.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Thousand Vantage and its subsidiaries, or Thousand Vantage Group have been prepared in respect of any period subsequent to 31st March, 2021 and up to the date of this report.

Thousand Vantage Group's financial year begins from 1st January and ends on 31st December. All references to "FY2018", "FY2019", "FY2020", "1Q2020" and "1Q2021" mean the financial years ended 31st December, 2018, 2019 and 2020 and three months ended 31st March, 2020 and 2021, respectively. Set out below is the management discussion and analysis of Thousand Vantage Group for each of FY2018, FY2019, FY2020, 1Q2020 and 1Q2021, which should be read in conjunction with the audited financial information of Thousand Vantage Group as set out in Appendix II to the circular.

FINANCIAL REVIEW**Revenue**

Thousand Vantage Group's revenue was approximately HK\$52,207,000, HK\$37,383,000 and HK\$79,301,000 for FY2018, FY2019 and FY2020, respectively. The revenue was generated from (i) provision of port and port-related services; and (ii) the trading of petrochemical products. The revenue of Thousand Vantage Group decreased by approximately 28.4% from approximately HK\$52,207,000 for FY2018 to approximately HK\$37,383,000 for FY2019. To the best of the Directors' knowledge, information and belief, such decrease was mainly attributable to the repair and maintenance of storage tanks and railway system which led to the suspension of operation from April 2018 to September 2019 in the port area. As the railway system was the major means of transportation of petrochemical products in the port area connecting to the national railway network, the PRC Subsidiary could only transport petrochemical products by trucks during the repair and maintenance period, which drastically reduced the efficiency of the transportation and therefore adversely affected the overall revenue of Thousand Vantage Group.

For FY2020, Thousand Vantage Group recorded revenue of approximately HK\$79,301,000, which represented an increase of approximately 112.1% when compared to the revenue for FY2019. The increase in revenue was primarily attributable to the improvement of the efficiency of the operation which led to an increase in the utilisation of its oil tanks and therefore the revenue.

For 1Q2020 and 1Q2021, Thousand Vantage Group's revenue increased by approximately HK\$3,417,000, or approximately 22.4%, from approximately HK\$15,274,000 to HK\$18,691,000. This increase in revenue is primarily attributable to the recovery of Mainland China's economy after stabilising the COVID-19 pandemic. The recovery of various industries boosted the demands for oil, energy, and other commodities. The better trade environment of related industries also promoted the development of the warehousing and logistics business of the PRC Subsidiary.

Gross profit and gross margin

For FY2018 and FY2019, Thousand Vantage Group's gross loss amounted to approximately HK\$11,936,000 and HK\$14,819,000 respectively. The increase in gross loss for FY2019 was mainly due to the decrease in revenue as explained in the sub-section headed "Revenue" above. Thousand Vantage Group successfully turned around in FY2020 and recorded a gross profit of approximately HK\$15,711,000. The turnaround in gross profit was mainly due to (i) the increase in revenue as explained in the sub-section headed "Revenue" above; and (ii) the increase of throughput of the Terminal as a result of the commencement of operation of the New Berth. The gross profit margin for FY2020 was approximately 19.8%. For 1Q2021, the gross profit amounted to approximately HK\$1,936,000 and the gross profit margin was approximately 10.4%. The decrease in gross profit margin was mainly due to a brief period of inflation of oil prices which led to a decrease in the demand for oil storage services. Such decrease in demand hindered Thousand Vantage Group's ability to charge a higher price for its services and storage facilities. The management of Thousand Vantage Group expected that the gross profit margin for the remaining months for the year ending 31st December, 2021 will gradually improve.

Other income, other gains and losses

The other losses of Thousand Vantage Group of approximately HK\$72,342,000 for FY2018 was largely attributable to an impairment loss recognised in respect of property, plant and equipment of approximately HK\$49,942,000, an impairment loss recognised for VAT recoverable of approximately HK\$11,357,000, loss recognised for a litigation case of approximately HK\$6,156,000 and net foreign exchange loss of approximately HK\$5,884,000. The other income or gains of Thousand Vantage Group amounted to approximately HK\$108,980,000 and HK\$10,612,000 for FY2019 and FY2020. The other income and gain for FY2019 included, among other things, gain on land resumption from the government of approximately HK\$95,152,000 and waiver of interest payable on loan from outsiders of approximately HK\$19,785,000 which are one-off items only recognised in FY2019. The other income and gain for FY2020 included, among other things, waiver of other payables of approximately HK\$5,381,000 and net foreign exchange gains of HK\$9,673,000. For 1Q2021, Thousand Vantage Group recognised other losses of approximately HK\$3,845,000, which was primarily due to the loss on disposal of property, plant and equipment.

Administrative expenses

The administrative expenses of Thousand Vantage Group amounted to approximately HK\$15,423,000, HK\$11,909,000, HK\$9,945,000 and HK\$2,414,000 for FY2018, FY2019, FY2020, and 1Q2021 respectively. The decrease in administrative expenses throughout the aforesaid periods was mainly attributable to a decrease in staff costs due to a decrease in senior management staff and the implementation of tighter controls on overall costs.

Loss/Profit before taxation

Thousand Vantage Group recorded loss before taxation of approximately HK\$132,086,000, HK\$11,142,000 and HK\$10,167,000 for the FY2018, FY2020 and 1Q2021 respectively and profit before taxation of approximately HK\$59,797,000 for the FY2019. The profit before taxation for FY2019 was mainly attributable to the one-off gain on land resumption by the government of approximately HK\$95,152,000 and the waiver of interest payable on loan from outsiders of approximately HK\$19,785,000. Should both one-off gains be excluded from the net profit of Thousand Vantage Group, Thousand Vantage Group would have recorded a loss before taxation of approximately HK\$55,140,000. The operating performance of Thousand Vantage Group continuously improved as a combined result of (i) increase in revenue and turnaround of gross profit; and (ii) better control on the expenses of Thousand Vantage Group.

Segmental information

For FY2018 and FY2019, Thousand Vantage Group carried on businesses in a single geographical location, which is provision of petrochemical port and storage service as well as port-related services in South Western PRC. All of Thousand Vantage Group's revenue was generated in the PRC and all of its assets were located in the PRC. For FY2020 and 1Q2021, all of Thousand Vantage Group's revenue was generated from port-related services.

FINANCIAL POSITION AND OTHER FINANCIAL INFORMATION**Property, plant and equipment**

Thousand Vantage Group's property, plant and equipment mainly comprised port infrastructure, oil tanks and related facilities and construction in progress. As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, Thousand Vantage Group's property, plant and equipment amounted to approximately HK\$1,125,363,000, HK\$381,811,000, HK\$539,598,000 and HK\$568,224,000 respectively. The decrease in Thousand Vantage Group's property, plant and equipment was primarily attributable to a reclassification adjustment upon the application of HKFRS 16 made in FY2019. Details are set out in note 2 to the consolidated financial statements of Thousand Vantage Group contained in Appendix II to this circular.

Right-of-use assets

Thousand Vantage Group's right-of-use assets mainly comprised land use rights, sea areas use rights, and property, plant and equipment. The carrying amount of land use rights was nil, and approximately HK\$1,638,000, HK\$1,681,000, and HK\$1,653,000 as at 31st December, 2018, 2019 and 2020 and 31st March, 2021 respectively. The carrying amount of oil tanks and related facilities was nil, and approximately HK\$563,185,000, HK\$448,223,000, HK\$407,455,000 as at 31st December, 2018, 2019 and 2020 and 31st March, 2021 respectively. The carrying amount of sea areas use rights was nil, and approximately HK\$2,462,000, HK\$2,564,000, and HK\$2,532,000 as at 31st December, 2018, 2019 and 2020 and 31st March, 2021 respectively. The carrying amount of plant and machinery was nil, and approximately HK\$9,142,000, HK\$1,840,000, and HK\$1,139,000 as at 31st December, 2018, 2019 and 2020 and 31st March, 2021, respectively. During the year ended 31st December, 2019, Thousand Vantage Group disposed land use rights of certain parcels of land as a result of land resumption by the PRC government.

Trade and other receivables and deposits

Thousand Vantage Group's trade and other receivables and deposits, mainly comprising compensation receivable on land resumption from the government and VAT recoverable, amounted to approximately HK\$70,589,000, HK\$148,608,000, HK\$129,722,000, and HK\$94,243,000 as at 31st December, 2018, 2019 and 2020 and 31st March, 2021, respectively. Among which, compensation receivable on land resumption from the government amounted to nil, approximately HK\$132,480,000, HK\$115,078,000, HK\$55,127,000 as at 31st December, 2018, 2019, 2020 and 31st March, 2021 respectively, VAT recoverable amounted to approximately HK\$16,301,000, HK\$11,031,000, HK\$9,473,000, HK\$9,200,000 as at 31st December, 2018, 2019, 2020 and 31st March, 2021 respectively, and other receivables amounted to approximately HK\$33,713,000, HK\$967,000, HK\$103,000, HK\$293,000 as at 31st December, 2018, 2019, 2020 and 31st March, 2021 respectively.

Amount due from the sole shareholder

Amount due from the sole shareholder was nil and approximately HK\$47,282,000, HK\$47,213,000 and HK\$47,855,000 as at 31st December, 2018, 2019 and 2020 and 31st March, 2021 respectively. The amount is unsecured, interest-free, non-trade related and repayable on demand. Subsequent to 31st March, 2021, HK\$42,000,000 has been settled by the sole shareholder. To the best of the Directors' knowledge, information and belief after having made reasonable enquiry, it is expected that the sole shareholder will repay the remaining balance of approximately HK\$5,855,000 within the next 12 months.

Other payables

Thousand Vantage Group's other payables, mainly comprising payables for the acquisition of property, plant and equipment, amounted to approximately HK\$140,154,000, HK\$138,213,000, HK\$138,952,000, and HK\$135,553,000 as at 31st December, 2018, 2019 and 2020 and 31st March, 2021, respectively. Balances of other payables remained largely stable throughout the above periods.

Lease liabilities

Lease liabilities represented financial obligations to make payments arising from the lease of certain property, plant and equipment, measured on a discounted basis. Lease liabilities of approximately HK\$599,724,000, HK\$567,370,000 and HK\$492,946,000 were recognised with related right-of-use assets of approximately HK\$576,701,000, HK\$454,308,000 and HK\$412,779,000 as at 31st December, 2019 and 2020 and 31st March, 2021, respectively. Thousand Vantage Group did not have any lease liabilities as at 31st December, 2018.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Thousand Vantage Group issued the Preference Shares to the Subscriber on 16th April, 2018. Other than that, there were no changes in the capital structure of Thousand Vantage Group during FY2018, FY2019, FY2020 and 1Q2021. Thousand Vantage Group generally finances its operations with internally generated cash flows from operation and bank borrowings.

As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, the total assets amounted to approximately HK\$1,264,785,000, HK\$1,282,865,000, HK\$1,258,426,000 and HK\$1,170,512,000 respectively. As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, the total liabilities amounted to approximately HK\$1,114,707,000, HK\$1,084,100,000, HK\$1,052,714,000 and HK\$974,984,000 respectively.

The current ratio of Thousand Vantage Group, calculated as current assets divided by current liabilities, as at 31st December, 2018, 2019 and 2020 and 31st March, 2021 was approximately 0.75, 0.54, 0.80 and 0.63 respectively.

Cash and Bank Balances

As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, the bank balances and cash were approximately HK\$59,193,000, HK\$128,282,000, HK\$84,608,000, and HK\$43,408,000, respectively. The significant decrease in bank balances and cash as at 31st March, 2021 was mainly due to repayment of lease liabilities amounting to approximately HK\$71,052,000.

Borrowings

Thousand Vantage Group's borrowings mainly comprised bank borrowings, the Preference Shares and loans from outsiders. As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, the bank borrowings of Thousand Vantage Group was nil and approximately HK\$145,580,000, HK\$143,328,000 and HK\$142,409,000, respectively, which were carried at a variable rate of 6.86% per annum. All bank borrowings were secured by right-of-use assets of Thousand Vantage Group and guaranteed by a non-controlling shareholder of a subsidiary. The borrowings were used for Thousand Vantage Group's working capital.

As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, the Preference Shares at amortised cost amounted to approximately HK\$201,008,000, HK\$200,340,000, HK\$202,838,000 and HK\$203,825,000, respectively. The Preference Shares confer the Subscriber the right to receive cumulative fixed preferential dividend at the rate of 2% per annum. As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, the interest payable on the Preference Shares at amortised cost amounted to approximately HK\$1,008,000, HK\$340,000, HK\$2,838,000 and HK\$3,825,000.

Loans from outsiders amounted to HK\$27,810,000 as at 31st December, 2018, representing loans advanced from third parties that were unsecured, interest-bearing at 4.90% per annum and repayable on demand. During the year ended 31st December, 2019, Thousand Vantage Group settled the principal of loans from outsiders and entered into agreements with the lenders in respect of the waiver of interest payable on the loans.

GEARING RATIO

The gearing ratio is calculated on the basis of net borrowings over the equity attributable to owners of Thousand Vantage. Net borrowings are arrived at by deducting bank balances and cash from bank borrowings. As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, Thousand Vantage Group's gearing ratios were approximately 0%, 12.3%, 40.4% and 69.2% respectively.

SIGNIFICANT INVESTMENT

During FY2018, FY2019, FY2020 and 1Q2021, Thousand Vantage Group did not hold any significant investments other than the revenue-generating assets.

MATERIAL ACQUISITIONS OR DISPOSALS

For the FY2019, the PRC Government recovered a piece of land together with attached office buildings and infrastructure with carrying value of approximately HK\$155,542,000 in aggregate and Thousand Vantage Group received disposal proceeds of approximately RMB237,100,000 (equivalent to approximately HK\$268,886,000).

For the FY2018, FY2020 and 1Q2021, Thousand Vantage Group did not make any material acquisitions or disposals of subsidiaries or associated companies.

PLEDGE OF ASSETS

As at 31st March, 2021, certain assets amounting to HK\$412,779,000 were pledged in favour of the Subscriber in relation to the Preference Shares as follows:

Asset type	Net amount <i>HK\$</i>
Land use rights	1,653,000
Sea areas use rights	2,532,000
Oil tanks and related facilities	407,455,000
Plant and machinery	1,139,000
Furniture, fixtures and equipment	–
Motor vehicles	–

As at 31st December, 2020, certain assets amounting to HK\$454,308,000 were pledged in favour of the Subscriber in relation to the Preference Shares as follows:

Asset type	Net amount <i>HK\$</i>
Land use rights	1,681,000
Sea areas use rights	2,564,000
Oil tanks and related facilities	448,223,000
Plant and machinery	1,840,000
Furniture, fixtures and equipment	–
Motor vehicles	–

As at 31st December, 2019, certain assets amounting to HK\$576,701,000 were pledged in favour of the Subscriber in relation to the Preference Shares as follows:

Asset type	Net amount <i>HK\$</i>
Land use rights	1,638,000
Sea areas use rights	2,462,000
Oil tanks and related facilities	563,185,000
Plant and machinery	9,142,000
Furniture, fixtures and equipment	84,000
Motor vehicles	190,000

Thousand Vantage Group did not pledge any assets to secure any borrowings as at 31st December, 2018.

CONTINGENT LIABILITIES

The PRC Subsidiary received on 17th May, 2021 a writ issued by 中交一航局第五工程有限公司 (No.5 Engineering Co., Ltd. of CCCC First Harbor Engineering Co., Ltd) claiming outstanding construction costs of approximately RMB98,357,000 and interest thereon (which amounted to approximately RMB8,710,000 as at 31st March, 2021). The PRC Subsidiary has contested the claim and is taking legal advice on the matter. Out of the amounts claimed, a sum of HK\$98,011,000 has already been included as other payables/accruals in the Accountants' Report on Thousand Vantage Group set out in Appendix II of this circular and the balance in the sum of HK\$28,782,000 has been disclosed as contingent liabilities in the Accountants' Report (please refer to note 39 thereof). Save for the above, Thousand Vantage Group had no significant contingent liabilities as at 31st December, 2018, 2019, 2020 and 31st March, 2021.

EMPLOYEES AND REMUNERATION

As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, Thousand Vantage Group had 158, 146, 143 and 139 employees respectively. The staff costs for FY2018, FY2019, FY2020 and 1Q2021 were approximately HK\$14,233,000, HK\$12,731,000, HK\$13,348,000 and HK\$3,445,000 respectively.

Thousand Vantage Group did not adopt any share option scheme. The remuneration, promotion and salary increment of the employees are assessed based on the personal performance, professional skills and working experience and with reference to the prevailing industry practice.

CAPITAL COMMITMENTS

As at 31st December, 2018, 2019 and 2020 and 31st March, 2021, the capital commitments of Thousand Vantage Group were approximately HK\$398,591,000, HK\$278,506,000, HK\$290,133,000 and HK\$290,960,000 respectively in respect of construction contracts entered into for the construction of oil and gas storage facilities in order to increase capacity.

FOREIGN EXCHANGE EXPOSURE

For FY2018, FY2019, FY2020 and 1Q2021, the principal activities of Thousand Vantage Group were conducted in the PRC and its income and expenses were denominated in RMB. In this light, Thousand Vantage Group was not exposed to material risks in relation to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign currency risks.

BUSINESS PROSPECTS AND FUTURE PLANS**Increase of imports of crude oil and diesel**

According to the statistic published by the General Administration of Customs of the People's Republic of China, the import of crude oil, which is a major energy product, for Mainland China increased steadily from 8.4 million barrels per day in 2017 to 10.1 million barrels per day in 2019, and a further increase to 10.85 million barrels per day in 2020, representing a compound annual growth rate of approximately 8.9%. Mainland China's imports of crude oil exceeded the imports of the United States of America and ranked first among the world for its first time in 2017. Mainland China remains the largest importer of crude oil with a daily import of approximately 11.13 million barrels of crude oil for January and February of 2021. In view of the increasing demand of crude oil and diesel of Mainland China and the strategic location of the Terminal, the Directors expect that the financial performance of Thousand Vantage Group will continue to improve over the next few years.

Fixed assets investments in Guangxi

In recent year, due to the environmental protection policies in Hebei and southeast coastal area, many manufacturing companies moved to Guangxi. According to 2019年全區攻堅突破重點項目清單 (List of key projects for breakthroughs in all regions in 2019*) published by the People's Government of Guangxi Zhuang Autonomous Region, hundreds of companies from different industries, including but not limited to manufacturing and infrastructures, will set up their production lines in Guangxi with a total investment amount up to approximately RMB1.5 trillion (equivalent to approximately HK\$1.8 trillion). According to the National Bureau of Statistics, the fixed assets investment in Guangxi increased by more than 20% for the first five months in 2020 as compared to the corresponding period in 2019. In view of the substantial fixed asset investments in Guangxi, the throughput of the berths owned by Thousand Vantage Group is also expected to enjoy a high growth so as to accommodate the demands for energy and petrochemical products for meeting the needs from construction and manufacturing.

Population of Guangxi and neighbouring provinces

As petrochemical products are widely used in our daily life such as fuel for cars and planes, and production of plastic materials, cosmetics, and foods and drugs, consumption of petrochemical products is huge. As mentioned in the paragraph headed "The Terminal" in the Letter from the Board, benefitting from the well-connected railway systems in China, the coverage of Thousand Vantage Group includes not only Guangxi but also other provinces including Guangdong, Sichuan, Yunnan and Guizhou with more than 345 million aggregated population, which was almost one-fourth of the total population of the PRC. Having considered the versatile applications of petrochemical and energy products and close proximity of Guangxi to Guangdong, Sichuan, Yunnan and Guizhou, Thousand Vantage Group will benefit from the large population and the economic growths in the abovementioned regions.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of PT International Development Corporation Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of PT International Development Corporation Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 31st March, 2021, the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 31st March, 2021, the unaudited pro forma statement of cash flows for the year ended 31st March, 2021 and related notes as set out on pages IV-4 to IV-13 of the circular issued by the Company dated 17th September, 2021 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-4 to IV-13 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the very substantial acquisition in relation to subscription of 65% equity interest in Thousand Vantage Investment Limited (“**Thousand Vantage**”) on the Group's financial position as at 31st March, 2021 and the Group's financial performance and cash flows for the year ended 31st March, 2021 as if the acquisition had taken place at 31st March, 2021 and 1st April, 2020, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31st March, 2021, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31st March, 2021 or 1st April, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu*Certified Public Accountants*

Hong Kong

17th September, 2021

(I) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the proposed very substantial acquisition in relation to subscription of 65% equity interest in Thousand Vantage Investment Limited (“**Thousand Vantage**”) by PT OBOR Financial Holdings Limited, a wholly-owned subsidiary of PT International Development Corporation Limited (the “**Company**”) (the “**Subscription**”), the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Company and its subsidiaries (hereinafter referred to as the “**Group**”) and Thousand Vantage and its subsidiaries (hereinafter referred to as “**Thousand Vantage Group**”) (together with the Group hereinafter referred to as the “**Enlarged Group**”) have been prepared to illustrate the effect of the Subscription on the Group’s financial position as at 31st March, 2021 and the Group’s financial performance and cash flows for the year ended 31st March, 2021 as if the Subscription had taken place at 31st March, 2021 and 1st April, 2020, respectively.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the directors of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is solely for the purpose to illustrate (a) the financial performance and cash flows of the Enlarged Group as if the Subscription had taken place on 1st April, 2020; and (b) the financial position of the Enlarged Group as if the Subscription had taken place on 31st March, 2021.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Subscription that are (i) directly attributable to the Subscription; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the directors of the Company based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the unaudited pro forma financial information of the Enlarged Group may not give a true picture of the results, cash flows or assets and liabilities of the Enlarged Group would have been upon the completion of the Subscription for the year ended 31st March, 2021 or as at 31st March, 2021 and in any future periods or on any future dates, as appropriate.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the management discussion and analysis of the Group as set out in this circular, the accountants’ report of Thousand Vantage Group as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

(II) THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 31ST MARCH, 2021

	Thousand					The
	The Group	Vantage	Pro forma adjustments			Enlarged
	Group	Group	Group	Group	Group	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 1	Note 2	Note 3	Note 4	Note 6	
Non-current assets						
Property, plant and equipment	29,849	568,224	(12,124)	–	–	585,949
Right-of-use assets	18,425	412,779	12,260	–	–	443,464
Debt instrument at amortised cost	200,000	–	–	–	(200,000)	–
Financial assets at fair value through profit or loss	197,704	–	–	–	–	197,704
Deferred tax assets	–	4,003	–	–	–	4,003
	<u>445,978</u>	<u>985,006</u>	<u>136</u>	<u>–</u>	<u>(200,000)</u>	<u>1,231,120</u>
Current assets						
Inventories	86,682	–	–	–	–	86,682
Debtors, deposits and prepayments	9,053	94,243	–	–	(3,825)	99,471
Amount due from the former sole shareholder of Thousand Vantage	–	47,855	–	–	–	47,855
Derivative financial instruments	6,106	–	–	–	–	6,106
Equity investments held for trading	1,893	–	–	–	–	1,893
Bank balances and cash	239,325	43,408	–	(4,000)	–	278,733
	<u>343,059</u>	<u>185,506</u>	<u>–</u>	<u>(4,000)</u>	<u>(3,825)</u>	<u>520,740</u>
Current liabilities						
Other payables and accrued expenses	6,205	135,553	–	–	–	141,758
Bank borrowing – due within one year	–	35,826	–	–	–	35,826
Derivative financial instruments	3,145	–	–	–	–	3,145
Contract liabilities	57,686	251	–	–	–	57,937
Lease liabilities – due within one year	5,344	118,543	–	–	–	123,887
Preference shares at amortised cost	–	3,825	–	–	(3,825)	–
	<u>72,380</u>	<u>293,998</u>	<u>–</u>	<u>–</u>	<u>(3,825)</u>	<u>362,553</u>
Net current assets (liabilities)	<u>270,679</u>	<u>(108,492)</u>	<u>–</u>	<u>(4,000)</u>	<u>–</u>	<u>158,187</u>
Total assets less current liabilities	<u>716,657</u>	<u>876,514</u>	<u>136</u>	<u>(4,000)</u>	<u>(200,000)</u>	<u>1,389,307</u>

	Thousand					The Enlarged Group
	The Group	Vantage Group	Pro forma adjustments			
	HK\$'000 <i>Note 1</i>	HK\$'000 <i>Note 2</i>	HK\$'000 <i>Note 3</i>	HK\$'000 <i>Note 4</i>	HK\$'000 <i>Note 6</i>	
Non-current liabilities						
Bank borrowing – due after one year	–	106,583	–	–	–	106,583
Lease liabilities – due after one year	1,509	374,403	–	–	–	375,912
Preference shares at amortised cost	–	200,000	–	–	(200,000)	–
	<u>1,509</u>	<u>680,986</u>	<u>–</u>	<u>–</u>	<u>(200,000)</u>	<u>482,495</u>
Net assets	<u>715,148</u>	<u>195,528</u>	<u>136</u>	<u>(4,000)</u>	<u>–</u>	<u>906,812</u>
Capital and reserves						
Share capital	20,183	360,000	(360,000)	–	–	20,183
Share premium and reserves	689,363	(216,974)	220,314	(4,000)	–	688,703
Equity attributable to the owners of the Company	709,546	143,026	(139,686)	(4,000)	–	708,886
Non-controlling interests	5,602	52,502	139,822	–	–	197,926
Total equity	<u>715,148</u>	<u>195,528</u>	<u>136</u>	<u>(4,000)</u>	<u>–</u>	<u>906,812</u>

(III) THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED 31ST MARCH, 2021

	Thousand		Pro forma adjustments				The
	The	Vantage	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Enlarged
	Group	Group					Group
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 7	Note 8
Revenue							
Contracts with customers	1,464,217	79,301	-	-	-	-	1,543,518
Interest under effective interest method	4,000	-	-	-	-	(4,000)	-
Total revenue	1,468,217	79,301	-	-	-	(4,000)	1,543,518
Cost of sales	(1,435,456)	(63,590)	-	-	(2,456)	-	(1,501,502)
Gross profit	32,761	15,711	-	-	(2,456)	(4,000)	42,016
Other income, other gains and losses	3,238	10,612	79,695	-	-	-	93,545
Net gain on financial instruments	37,140	-	-	-	-	-	37,140
Impairment losses under expected credit loss model, net of reversal	-	(46)	-	-	-	-	(46)
Gain on disposal of an associate	163,480	-	-	-	-	-	163,480
Administrative expenses	(69,013)	(9,945)	-	(4,000)	-	-	(82,958)
Finance costs	(1,148)	(27,474)	-	-	-	4,000	(24,622)
Profit (loss) before taxation	166,458	(11,142)	79,695	(4,000)	(2,456)	-	228,555
Income tax (expense) credit	(5)	2,465	-	-	614	-	3,074
Profit (loss) for the year	166,453	(8,677)	79,695	(4,000)	(1,842)	-	231,629
Other comprehensive income:							
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Exchange differences arising on translation of foreign operations	5,345	-	-	-	-	-	20,969
Reclassification adjustment of reserves released on disposal of an associate	13,427	-	-	-	-	-	13,427
<i>Item that will not be reclassified to profit or loss:</i>							
Exchange differences arising on translation to presentation currency	-	15,624	-	-	-	-	(15,624)
Other comprehensive income for the year	18,772	15,624	-	-	-	-	34,396
Total comprehensive income for the year	185,225	6,947	79,695	(4,000)	(1,842)	-	266,025

	Thousand		Pro forma adjustments				The	
	The	Vantage					Enlarged	
	Group	Group	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 7	Note 8	
Profit (loss) for the year attributable to:								
Owners of the Company	167,056	(4,632)	79,695	(4,000)	(1,197)	-	3,037	239,959
Non-controlling interests	(603)	(4,045)	-	-	(645)	-	(3,037)	(8,330)
	<u>166,453</u>	<u>(8,677)</u>	<u>79,695</u>	<u>(4,000)</u>	<u>(1,842)</u>	<u>-</u>	<u>-</u>	<u>231,629</u>
Total comprehensive income (expenses) for the year attributable to:								
Owners of the Company	185,828	4,402	79,695	(4,000)	(1,197)	-	(2,431)	262,297
Non-controlling interests	(603)	2,545	-	-	(645)	-	2,431	3,728
	<u>185,225</u>	<u>6,947</u>	<u>79,695</u>	<u>(4,000)</u>	<u>(1,842)</u>	<u>-</u>	<u>-</u>	<u>266,025</u>

(IV) THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF
THE ENLARGED GROUP FOR THE YEAR ENDED 31ST MARCH, 2021

	Thousand		Pro forma adjustments				The
	The Group HK\$'000 Note 1	Vantage Group HK\$'000 Note 2	HK\$'000 Note 3	HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 7	Enlarged Group HK\$'000
OPERATING ACTIVITIES							
Profit (loss) before taxation	166,458	(11,142)	79,695	(4,000)	(2,456)	–	228,555
Adjustments for:							
Depreciation of right-of-use assets	8,168	24,178	–	–	1,551	–	33,897
Depreciation of property, plant and equipment	2,153	22,942	–	–	905	–	26,000
Loss on disposal/write-off of property, plant and equipment	9	2,712	–	–	–	–	2,721
Interest income	(4,502)	(2,766)	–	–	–	4,000	(3,268)
Interest expenses	1,148	27,474	–	–	–	(4,000)	24,622
Net gain on financial instruments	(48,177)	–	–	–	–	–	(48,177)
Gain on disposal of an associate	(163,480)	–	–	–	–	–	(163,480)
Impairment loss under expected credit loss model, net of reversal	–	46	–	–	–	–	46
Impairment loss recognised of value-added tax recoverable	–	11	–	–	–	–	11
Charge on late repayment of construction payables	–	3,945	–	–	–	–	3,945
Waiver of payables for acquisition of property, plant and equipment upon finalisation of a litigation case	–	(5,381)	–	–	–	–	(5,381)
Unrealised exchange gains	–	(9,686)	–	–	–	–	(9,686)
Gain on bargain purchase arising from the Subscription	–	–	(79,695)	–	–	–	(79,695)
Operating cash flows before movements in working capital	(38,223)	52,333	–	(4,000)	–	–	10,110
Increase in inventories	(55,426)	–	–	–	–	–	(55,426)
Decrease in debtors, deposits and prepayments	1,625	1,618	–	–	–	–	3,243
Change in derivative financial instruments	3,876	–	–	–	–	–	3,876
Decrease in equity investments held for trading	4,170	–	–	–	–	–	4,170
(Decrease) increase in other payables and accrued expenses	(902)	4,130	–	–	–	–	3,228
Increase (decrease) in contract liabilities	55,164	(31)	–	–	–	–	55,133
Cash (used in) from operations	(29,716)	58,050	–	(4,000)	–	–	24,334
Interest received	504	–	–	–	–	(504)	–
Tax paid	(5)	–	–	–	–	–	(5)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(29,217)	58,050	–	(4,000)	–	(504)	24,329

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Thousand		Pro forma adjustments				The
	The	Vantage					Enlarged
	Group	Group	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 7	
INVESTING ACTIVITIES							
Compensation received for land resumption from the government, net of related expenses	-	24,585	-	-	-	-	24,585
Proceeds from disposal of an associate	196,687	-	-	-	-	-	196,687
Loan to a third party	15,600	-	-	-	-	-	15,600
Withdrawal of restricted deposits with brokers	1,950	-	-	-	-	-	1,950
Repayment of amount due from the sole shareholder	-	2,768	-	-	-	-	2,768
Interest received	502	21	-	-	-	-	523
Proceeds from disposal of property, plant and equipment	32	-	-	-	-	-	32
Repayment of loan to a third party	(15,600)	-	-	-	-	-	(15,600)
Additions to property, plant and equipment	(2,157)	(28,311)	-	-	-	-	(30,468)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	197,014	(937)	-	-	-	-	196,077
FINANCING ACTIVITIES							
Repayment of bank borrowing	-	(11,229)	-	-	-	-	(11,229)
Repayment of lease liabilities	(7,272)	(67,570)	-	-	-	-	(74,842)
Interest paid	(414)	(25,827)	-	-	-	504	(25,737)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(7,686)	(104,626)	-	-	-	504	(111,808)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	160,111	(47,513)	-	(4,000)	-	-	108,598
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	77,938	128,282	-	-	-	-	206,220
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,276	3,839	-	-	-	-	5,115
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	239,325	84,608	-	(4,000)	-	-	319,933

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The audited consolidated statement of financial position as at 31st March, 2021 and the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31st March, 2021 were extracted from the published annual report of the Company for the year ended 31st March, 2021.
2. The amounts have been extracted from the audited consolidated statement of financial position of Thousand Vantage Group as at 31st March, 2021, and the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of Thousand Vantage Group for the year ended 31st December, 2020 in Appendix II to this circular.
3. The adjustment represents the recognition of gain on bargain purchase as identified arising from the Subscription, as if the Subscription had been completed on 31st March, 2021, in accordance with HKFRS 3 (Revised) Business Combinations (“**HKFRS 3 (Revised)**”).

	<i>Notes</i>	<i>HK\$'000</i>
Consideration transferred	<i>a</i>	203,825
Net identifiable assets of Thousand Vantage Group	<i>b</i>	(399,353)
Pro forma fair value adjustment in relation to		
– Property, plant and equipment	<i>c</i>	12,124
– Right-of-use assets	<i>c</i>	(12,260)
Non-controlling interest	<i>d</i>	139,822
		<hr/>
Gain on bargain purchase arising from the Subscription	<i>e</i>	(55,842)
		<hr/> <hr/>

Notes:

- a. The total consideration of the Subscription includes the preference shares with principal amount of HK\$200,000,000 (the “**Preference Shares**”) and the accrued and unpaid dividends on the Preference Shares of HK\$3,825,000 up to 31st March, 2021.
- b. For the purpose of the unaudited pro forma financial information, it is assumed that the fair value of the net identifiable assets of Thousand Vantage Group (excluding the remeasurement of property, plant and equipment and right-of-use assets) approximates their carrying values as at 31st March, 2021. The fair value of the net identifiable assets of Thousand Vantage Group being acquired is subject to changes upon completion of the Subscription because the fair value being acquired shall be assessed at the date of the actual completion of the Subscription.

The net identifiable assets of Thousand Vantage Group has excluded the Preference Shares and the accrued and unpaid dividends on the Preference Shares up to 31st March, 2021 as if the Subscription would have been completed by way of offsetting the subscription price and the unpaid dividends on the Preference Shares payable by Thousand Vantage for redemption of the Preference Shares issued on 31st March, 2021.

- c. The estimated fair value of Thousand Vantage Group on 31st March, 2021 of HK\$399,489,000 was based on the independent valuation report prepared by an independent professional qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**Jones Lang**”), as at 31st March, 2021.

Based on the independent valuation report prepared by Jones Lang, the estimated fair value of property, plant and equipment and right-of-use assets (comprising land use rights, sea areas use rights, port infrastructure and oil tanks and related facilities) as at 31st March, 2021 were HK\$556,100,000 and HK\$425,039,000, respectively. Accordingly, a fair value downward adjustment of HK\$12,124,000 on property, plant and equipment and a fair value upward adjustment of HK\$12,260,000 on right-of-use assets would be recognised by comparing to their respective carrying values as at 31st March, 2021.

No deferred tax liability has been recognised on the fair value increment due to sufficient unrecognised tax loss is available for offsetting.

The fair values of the property, plant and equipment and right-of-use assets being acquired is subject to changes upon completion of the Subscription because the fair value being acquired shall be assessed at the date of the actual completion of the Subscription.

This adjustment is expected to have a continuing effect to the Enlarged Group.

- d. The non-controlling interests of Thousand Vantage Group is measured at their proportionate share in the recognised fair values of Thousand Vantage Group's net identifiable assets as at 31st March, 2021. This adjustment is expected to have a continuing effect to the Enlarged Group.
- e. The adjustment represents the gain on bargain purchase arising from the Subscription provisionally determined based on the fair value of the net identifiable assets acquired and liabilities assumed of Thousand Vantage Group and the consideration on the completion date. For the purpose of the unaudited pro forma financial information, the gain on bargain purchase of HK\$55,842,000 arising from the Subscription, which represents the amount by which the fair value of the net identifiable assets and liabilities of Thousand Vantage Group to be acquired exceeds the fair value of consideration transferred, as if the Subscription has been completed on 31st March, 2021. The amount of gain on bargain purchase is subject to change when the fair value of assets and liabilities of Thousand Vantage Group is finalised on the date of actual completion of the Subscription. The adjustment has no continuing effect on the financial statements of the Enlarged Group in subsequent years.
- f. For simplicity and the purpose of the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows as if the Subscription had taken place on 1st April, 2020, the pro forma fair value adjustments on the identifiable assets and liabilities arising from the Subscription is computed by assuming the pro forma fair value adjustments on the identifiable assets and liabilities of Thousand Vantage Group as at 1st April, 2020 approximate the relevant amounts as at 31st March, 2021 as detailed above, taking into account the effect of exchange differences, as the management of the Company believes there were no material change between the two dates. The actual fair values of the identifiable assets and liabilities of Thousand Vantage Group, which will be determined as of the completion date and in turn, the resulting amount of gain on bargain purchase may differ from the provisional amounts disclosed below in the provisional pro forma purchase price allocation. The adjustment has no continuing effect on the financial statements of the Enlarged Group in subsequent years.

	<i>HK\$'000</i>
Consideration transferred	203,825
Net identifiable assets of Thousand Vantage Group	(386,077)
Pro forma fair value adjustment in relation to	
– Property, plant and equipment	(37,693)
– Right-of-use assets	(16,581)
Deferred tax liabilities	4,167
Non-controlling interest	152,664
	<hr/>
Gain on bargain purchase arising from the Subscription	<u>(79,695)</u>

4. The adjustment represents the estimated transaction costs of approximately HK\$4,000,000, including the accountancy, legal, valuation and other professional services related to the Subscription. The expenses are charged to profit or loss directly. The adjustment has no continuing effect on the financial statements of the Enlarged Group in subsequent years.
5. The estimated fair values of property, plant and equipment and right-of-use assets on 1st April, 2020 approximate to those on 31st March, 2021. The adjustment represents the additional depreciation of property, plant and equipment and right-of-use assets, amounting to HK\$905,000 and HK\$1,551,000, respectively, arising from the fair value adjustments on the net identifiable assets of Thousand Vantage Group as if the Subscription had been effected on 1st April, 2020. This adjustment is expected to have a continuing effect to the Enlarged Group.

6. The adjustment represents the adjustment on Preference Shares issued by Thousand Vantage which are subscribed by the Group of HK\$200,000,000 and the unpaid dividends on the Preference Shares of HK\$3,825,000 as at 31st March, 2021 as if the Subscription would have been completed by way of offsetting against the subscription price and the unpaid dividends on the Preference Shares payable by Thousand Vantage for redemption of the Preference Shares issued on 31st March, 2021. The adjustment has no continuing effect on the financial statements of the Enlarged Group in subsequent years.
7. The adjustment represents the adjustment on dividends arising from the Preference Shares for the year ended 31st March, 2021 of HK\$4,000,000 and dividends paid by Thousand Vantage of HK\$504,000 during the year ended 31st March, 2021 as if the Preference Shares would have been redeemed on 1st April, 2020 upon the completion of the Subscription. The adjustment has no continuing effect on the financial statements of the Enlarged Group in subsequent years.
8. The adjustment represents (i) adjustment on share of loss and total comprehensive income for the year attributable to non-controlling interests of Thousand Vantage Group as the non-controlling interests of Thousand Vantage Group share 35% of the loss and total comprehensive income of Thousand Vantage Group as if the Subscription had been effected on 1st April, 2020; and (ii) Thousand Vantage Group's exchange differences arising on translation to presentation currency that would be adjusted to exchange differences arising on translation of foreign operations when Thousand Vantage Group becomes a foreign operation of the Enlarged Group as if the Subscription had been effected on 1st April, 2020. This adjustment is expected to have a continuing effect to the Enlarged Group.
9. Apart from the above, no other adjustment has been made to reflect any trading results or other transactions entered into by the Group or Thousand Vantage Group subsequent to 31st March, 2021 for the unaudited pro forma statement of financial position as at 31st March, 2021, and subsequent to 1st April, 2020 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31st March, 2021 as if the Subscription had taken place at 31st March, 2021 and 1st April 2020, respectively.

The following is the text of a valuation report received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer in connection with the valuation of Thousand Vantage Group as at 28th February, 2021, prepared for the purpose of incorporation in this circular.



仲量聯行

The Board of Directors
PT International Development Corporation Limited
Units 3412-13, 34th Floor,
China Merchants Tower,
Shun Tak Centre,
Nos.168-200 Connaught Road Central,
Hong Kong

Dear Sirs,

In accordance with the instructions received from the management of PT International Development Corporation Limited (the “**Company**”), we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion on the market value of 100% equity interest in Thousand Vantage Investment Limited (“**Thousand Vantage**”) as at 28th February, 2021 (the “**Valuation Date**”).

The purpose of this valuation is for the Company’s internal reference and for inclusion in its circular.

Our valuation was carried out on a market value basis. Market value is defined as “*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

INTRODUCTION

Thousand Vantage Investment Limited (“**Thousand Vantage**”) is an investment holding company. Thousand Vantage holds 75% equity interest in Guangxi Guangming Warehouse Storage Limited (the “**Port Company**”) and its subsidiaries (together as the “**Port Group**”) which is principally engaged in the business of handling and storage of liquid dangerous goods such as gasoline, diesel oil, mixed aromatics and fuel oil through operation of a terminal in Qinzhou Port in Guangxi, the PRC, which has been in full operation since September 2020. The Company proposed to subscribe 65% of the total ordinary shares of Thousand Vantage at a consideration of HK\$200,000,000 by offsetting from the redemption price of the preference shares to the Company issued by Thousand Vantage.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic conditions of Thousand Vantage and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition and performance of Thousand Vantage and the Port Group;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the subject business; and
- Assessment of the liquidity of the subject business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinions on Thousand Vantage.

VALUATION METHODOLOGY

To select the most appropriate approach, we have considered the purpose of the Valuation and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of Thousand Vantage.

In our opinion, the cost approach is inappropriate for valuing Thousand Vantage, as it does not directly incorporate information about the economic benefits contributed by the Port Group. The income approach is also inappropriate as this approach requires subjective assumptions over a long time horizon and the result may be very sensitive to certain inputs.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

There are two common methods under market approach, namely, 1) guideline public company method and 2) guideline transaction method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transaction method takes reference to recent merger and acquisitions transactions between unrelated parties and ratio of transaction price to subject company's financial parameters.

In this valuation exercise, the market value of the 100% equity interest of Thousand Vantage was developed through the guideline public company method. The guideline transaction method is not adopted due to lack of recent market transactions with similar nature as Thousand Vantage and the proposed transaction. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple.

In this Valuation, we have considered the following commonly used benchmark multiples:

- Price to earnings ratio (“**P/E**”) is not adopted as Thousand Vantage was in net loss position in the recent years and the Port Group was being developed during the past financial year, its income statement date is not representative;
- Enterprise value to EBITDA ratio (“**EV/EBITDA**”) is not adopted as Thousand Vantage has incurred EBITDA loss and net loss in the recent years; and
- It is considered that the suitable multiple in this valuation is the enterprise value to total assets ratio (“**EV/Total Assets**”). EV/Total Assets multiple is common for asset intensive industries. Comparing price to book value ratio (“**P/B**”) and EV/Total Assets ratio, the EV/Total Assets ratio is more accurate in handling the differences in the capital structure. The profitability and the value of the port and warehousing facilities is mainly attributable to the size and amount of the property, plant and equipment that enables the Port Group to generate future economic benefit. Therefore, EV/Total Assets multiple is the most appropriate multiple to the valuation of Thousand Vantage. In this Valuation, EV/Total Assets is calculated as enterprise value as at the Valuation Date divided by the total assets as at the Valuation Date.

PRINCIPAL ASSUMPTIONS

In determining the market value of the equity interest in Thousand Vantage, we make the following key assumptions:

- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of Thousand Vantage;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- We have assumed the accuracy of the financial and operational information provided to us by Thousand Vantage and relied to a considerable extent on such information in arriving at our opinion of value;
- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date; and
- We have assumed there will be no significant difference on the asset and liability position, between the Valuation Date and the latest reporting date of the financial result of the comparable companies.

MARKET MULTIPLE FOR THE VALUATION OF THOUSAND VANTAGE

In determining the price multiple, a list of comparable companies was identified. The selection criteria include the following:

1. The companies are engaged in port operation and warehouse service focusing on crude oil and liquid chemicals in the PRC;
2. The comparable companies are searchable in Bloomberg;
3. The comparable companies are publicly listed; and
4. Sufficient data, including the market capitalisation, enterprise value and total assets as at the Valuation Date, of the companies are available.

As sourced from Bloomberg, the details of the comparable companies satisfying the above criteria are listed below:

Bloomberg Ticker	Company Name	Company Description	EV/Total Assets Ratio (Times)
002040 CH	Nanjing Port Co., Ltd.	Nanjing Port Co., Ltd. operates as a port transportation service agency. The company transports crude oil, refined oil, and liquid chemical products. It also provides general cargo handling and warehousing, container disassembly, electronic data exchange, information consultation, and logistics services.	0.92
935 HK	Dragon Crown Group Holdings Limited	Dragon Crown Group Holdings Limited is an integrated terminal service provider in the PRC. The company specializes in the storage and handling of liquid chemical products using its dedicated pipelines and storage terminals.	0.79
002930 CH	Guangdong Great River Smarter Logistics Co., Ltd.	Guangdong Great River Smarter Logistics Co., Ltd. operates as a logistics company. The company provides warehouse, loading, unloading, barrel filling, petrochemical products value added, and other services. It serves customers in China and Hong Kong.	1.75
002492 CH	Zhuhai Winbase International Chemical Tank Terminal Co., Ltd.	Zhuhai Winbase International Chemical Tank Terminal Co., Ltd. constructs and operates liquefied chemical port and storage facility. The company provides cargo handling, storage and transportation services for petrochemical producers.	1.15
Median of EV/Total Assets			1.03

ADDITIONAL CONSIDERATION ON VALUATION OF THOUSAND VANTAGE**Control Premium**

Premium for control is generally regarded as the amount in excess of the current traded market price that a buyer is willing to pay to acquire the control of a publicly traded company. A buyer is willing to pay a premium for control when obtaining the controlling advantages they would not receive if only a minority interest was purchased. Estimating the value of premium for control is necessary when valuing large blocks of shares. The size of the premium for control varies from industry to industry, with the size of the company. In our valuation analysis, the equity interest in the subject companies is at controlling, so it is reasonable to apply a premium for control to reflect this advantage.

In this valuation exercise, we adopted a control premium of 20.60% which is based on the international medium control premium of a control premium study published by FactSet Mergerstat LLC.

Discount for Lack of Marketability (“DLOM”)

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the DLOM of this interest using a put option method. The concept is that when comparing a public share and a private share, the holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event becomes shorter, the degree of the DLOM becomes smaller.

We have adopted Black Scholes Option Pricing Model with the following parameters to estimate the DLOM.

Parameter	Input	Source	Remarks
Option Type	European Put	Not Applicable	Assumed
Risk Free Rate (%)	2.56	Bloomberg L.P.	China Sovereign Curve
Maturity Period (year)	1	Not Applicable	Assumed
Volatility (%)	49.50	Bloomberg L.P.	Median of Historical volatility of comparable companies
Implied DLOM (%)	18.06	Not Applicable	Calculated

CALCULATION OF VALUATION RESULT

Valuation of Thousand Vantage

Under the guideline public company method, the market value of Thousand Vantage depends on the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. We have also taken into account the control premium and DLOM.

The calculation of the market value of 100% equity interest of Thousand Vantage as at the Valuation Date is as follows:

Amounts in HKD'000 unless otherwise stated

Parameter	Input
EV/Total Assets ratio (times)	1.03
Total assets of Thousand Vantage	1,258,426
Enterprise value of Thousand Vantage as at the Valuation Date	1,299,020
Cash	84,608
Preferred Shares	(202,838)
Total debt	(710,924)
Minority interest	(60,202)
Market value of 100% equity interest of Thousand Vantage before DLOM	409,664
Control premium (%)	20.60
DLOM (%)	18.06
Market value of 100% equity interest of Thousand Vantage after DLOM	404,828

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Thousand Vantage, the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of Thousand Vantage over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that:

The market value of 100% equity interest in Thousand Vantage as at the Valuation Date is reasonably stated at the amount of **HKD404,828,000**.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle
Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Executive Director

Note: Simon M.K. Chan is a Chartered Valuer and Appraiser, and a fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA), CPA Australia as well as the Royal Institution of Chartered Surveyors (RICS). Simon has extensive experience in valuation and corporate advisory business, providing a wide range of valuation and advisory services to numerous listed and private companies in different industries, including textile-related companies, in Asia Pacific region for over 20 years.

Commentary on the Impact of COVID-19 on the Valuation

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that since the Valuation Date, the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the world. This disruption has increased the risk of the financial projections/assumptions, which were prepared in our Valuation without the assumptions of a pandemic, not being achieved. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the Report Date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a transaction may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date in this Report.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject asset rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialized expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject asset.
15. This exercise is premised in part on the historical financial information provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the abovementioned information requires adjustments, the resulting value may differ significantly.
16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, the interests or short positions, if any, of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO) or, were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions in shares and underlying shares of the Company:

Name of Director	Capacity	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Ching Man Chun, Louis ("Mr. Ching")	Beneficial owner	100,000,000	4.95%
	Interest of controlled corporation	488,000,000 (Note)	24.18%

Note:

Champion Choice Holdings Limited ("Champion Choice"), which is the registered holder of 488,000,000 shares of the Company, is wholly-owned by Mr. Ching. Accordingly, Mr. Ching is deemed to be interested in 488,000,000 shares of the Company directly held by Champion Choice under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or, as were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at the Latest Practicable Date and so far as is known to any Directors or chief executive of the Company, no person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares and underlying shares of the Company:

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Ching	Beneficial owner	100,000,000	4.95%
	Interest of controlled corporation	488,000,000 (Note)	24.18%
Champion Choice	Beneficial owner	488,000,000 (Note)	24.18%

Note:

Champion Choice is the registered holder of 488,000,000 shares of the Company. Mr. Ching, a director of the Company is also a director of Champion Choice, who owns the entire issued share capital of Champion Choice. Accordingly, Mr. Ching is deemed to be interested in 488,000,000 shares of the Company directly held by Champion Choice under the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which does not expire or is not determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS, ARRANGEMENTS AND/OR CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors, either directly or indirectly, had any interest in any assets which have been, since 31st March, 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates (as defined under the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Enlarged Group's business.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (i) the loan capitalisation deed entered into between PT Credit Limited, an indirect wholly-owned subsidiary of the Company, and YPD(HK) dated 5th September, 2019 in relation to the capitalisation of the total outstanding amount of the loan in the sum of US\$4,000,000 and outstanding accrued interests of approximately US\$286,016 into 9,000,000 YPD(HK) shares representing 90% of the enlarged share capital of YPD(HK), to be allotted and issued to the Group;
- (ii) the conditional sale and purchase agreement dated 7th April, 2020 entered into between Hollyfield Group Limited ("**Hollyfield Group**") (as vendor), an indirect wholly-owned subsidiary of the Company, and Rally Praise Limited ("**Rally Praise**") (as purchaser), in relation to a disposal of 1,080,000,000 shares of PYI, a company incorporated in Bermuda with limited liability the shares of which are listed on the Main Board of the Stock Exchange (stock code: 498), representing approximately 19.57% of the entire issued share capital of the PYI at the total consideration of HK\$181,440,000;
- (iii) the placing agreement dated 25th May, 2020 entered into between Hollyfield Group and Get Nice Securities Limited in relation to the placing of 225,311,695 shares in PYI held by Hollyfield Group, the Company and/or their associates to third parties independent of, and not acting in concert with, Hollyfield Group, PYI, the Company and its connected persons and Rally Praise;

(iv) the supplemental agreement dated 9th November, 2020 entered into between the Subscriber, the Guarantor and Thousand Vantage in relation to the extension of the redemption date of the Preference Shares; and

(v) the Subscription Agreement.

8. LITIGATION

Save as disclosed in Appendix I-1, as at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Jones Lang Lasalle	Independent professional valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did they have any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which have been, since 31st March, 2021, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Enlarged Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) at the head office and principal place of business of the Company in Hong Kong at Suites 3412–13, 34/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM (both days inclusive):

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for each of the three years ended 31st March, 2019, 31st March, 2020 and 31st March, 2021;
- (iii) the accountants' report of Thousand Vantage Group as set out in Appendix II to this circular;
- (iv) the accountants' report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;
- (v) the valuation report of Thousand Vantage Group as set out in Appendix V to this circular;
- (vi) the material contracts referred to in the paragraph headed "7. Material contracts" in this appendix;
- (vii) the written consents referred to in the paragraph headed "9. Experts and consents" in this appendix; and
- (viii) this circular.

11. GENERAL

- (i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda;
- (ii) The head office and principal place of business of the Company in Hong Kong is situated at Suites 3412–13, 34/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;
- (iii) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited of 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda;
- (iv) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong;
- (v) The secretary of the Company is Ms. Lo Yuen Mei, who is a member of The Hong Kong Institute of Certified Public Accountants; and
- (vi) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

NOTICE OF SGM



PT INTERNATIONAL DEVELOPMENT CORPORATION LIMITED

保 德 國 際 發 展 企 業 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 372)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting the (“**SGM**”) of PT International Development Corporation Limited (the “**Company**”) will be held at Room Soho 2, 6/F, IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Wednesday, 6th October, 2021 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

Ordinary Resolution

1. “**THAT:**

- (a) The subscription agreement (the “**Subscription Agreement**”) dated 29 March 2021 entered into between PT OBOR Financial Holdings Limited (“**Subscriber**”), Thousand Vantage Investment Limited (“**Thousand Vantage**”) and Mr. Zhu Bin in relation to the proposed subscription of 668,571,429 new ordinary shares of Thousand Vantage by the Subscriber (the “**Subscription**”), a copy of which has been produced to the meeting and initialled by the chairman of the SGM for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) The board (“**Board**”) of directors of the Company (the “**Directors**”) be and is hereby generally and unconditionally authorised to do all such acts and things and execute all such documents as it considers necessary, expedient or desirable in connection with or to give effect to the Subscription and the Subscription Agreement, and to implement the transactions contemplated thereunder and all other matters incidental thereto and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of the Board, in the interest of the Company.”

By Order of the Board
PT International Development Corporation Limited
Ching Man Chun, Louis
Chairman and Managing Director

Hong Kong, 17th September, 2021

* *For identification purposes only*

NOTICE OF SGM

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

Units 3412-13, 34/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the circular of the Company dated 17th September, 2021 shall have the same meanings when used in this notice.
2. In compliance with the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited, all resolutions to be proposed at the meeting convened by this notice will be voted on by way of poll.
3. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
4. To be valid, the form of proxy and (if required by the Board of Directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
5. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the SGM will be the close of business on Tuesday, 5th October, 2021. In order to determine the entitlement to attend and vote at the meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5th October, 2021 (Hong Kong time).
6. In the case of joint holders of a share, any one of such joint holders may vote at the above meeting, either in person or by proxy, in respect of such share as if he or she were solely entitled thereto. If more than one of such joint holders are present at the above meeting, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. Whether or not you propose to attend the meeting in person, you are strongly urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the meeting and voting in person or any adjournment thereof if you so wish. In the event that you attend the meeting after having lodged the form of proxy, it will be deemed to have been revoked.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.