



# 基石金融控股有限公司

## CORNERSTONE FINANCIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號：8112



2020  
Annual Report  
年度報告

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*This report, for which the directors (the “Directors”) of Cornerstone Financial Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM 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 report 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 report misleading.*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Gao Ran (*Chairman*)  
(appointed on 4 December 2020)  
An Xilei (*Deputy Chairman*) (*Note*)  
Wong Hong Gay Patrick Jonathan (*CEO*)  
Mock Wai Yin  
Wang Jun  
(resigned on 10 March 2021)

*Note:* Mr. An Xilei was the Chairman up to his re-designation as the Deputy Chairman on 4 December 2020

### Independent Non-Executive Directors

Chan Chi Keung Alan  
Lee Chi Hwa Joshua  
Lau Mei Ying

### AUDIT COMMITTEE

Lee Chi Hwa Joshua (*Chairman*)  
Chan Chi Keung Alan  
Lau Mei Ying

### NOMINATION COMMITTEE

Lee Chi Hwa Joshua (*Chairman*)  
Chan Chi Keung Alan  
Lau Mei Ying

### REMUNERATION COMMITTEE

Lee Chi Hwa Joshua (*Chairman*)  
Chan Chi Keung Alan  
Lau Mei Ying

### CORPORATE GOVERNANCE COMMITTEE

An Xilei (*Chairman*)  
Mock Wai Yin  
Lau Mei Ying

### EXECUTIVE COMMITTEE

Gao Ran (*Chairman*)  
(appointed on 4 December 2020)  
An Xilei (*Note*)  
Wang Jun  
(resigned on 10 March 2021)

*Note:* Mr. An Xilei was the Chairman up to his re-designation as a member on 4 December 2020

### COMPLIANCE OFFICER

Mock Wai Yin

### COMPANY SECRETARY

Chan Sau Chee

## AUTHORIZED REPRESENTATIVES

An Xilei  
Mock Wai Yin

## AUDITORS

Yongtuo Fuson CPA Limited  
Certificate Public Accountants  
Registered Public Interest Entity Auditor

## REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 802, 8th Floor,  
Lee Garden Five  
18 Hysan Avenue  
Causeway Bay  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPANY'S WEBSITE

[www.cs8112.com](http://www.cs8112.com)

## PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

## STOCK CODE

8112

# FINANCIAL SUMMARY

## FINANCIAL SUMMARY

	for the year ended 31 December				
	2020 HK\$	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$
<b>RESULTS</b>					
Revenue	<b>50,973,229</b>	92,327,178	106,028,264	92,883,100	80,646,748
Loss for the year	<b>(59,198,261)</b>	(17,260,109)	(132,268,875)	(62,127,398)	(20,430,775)
Attributable to:					
Owners of the Company	<b>(58,082,647)</b>	(18,107,764)	(107,933,612)	(52,706,931)	(19,460,622)
Non-controlling interests	<b>(1,115,614)</b>	847,655	(24,335,263)	(9,420,467)	(970,153)

	as at 31 December				
	2020 HK\$	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$
<b>ASSETS AND LIABILITIES</b>					
Total assets	<b>251,069,887</b>	320,400,032	319,605,567	446,957,634	287,046,724
Total liabilities	<b>(66,073,311)</b>	(76,170,150)	(59,952,131)	(29,235,438)	(47,533,641)
Net assets	<b>184,996,576</b>	244,229,882	259,653,436	417,722,196	239,513,083

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

During the year ended 31 December 2020 (the “Financial Year”), Cornerstone Financial Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) were principally engaged in financial services and the advertising and media services. The advertising and media business remained the main contributor to the Group’s revenue while the financial services continued to generate stable revenue for the Group. The overall performance and financial results of the Group for the Financial Year was adversely affected by the outbreak of COVID-19 pandemic. The Group recorded an overall revenue of approximately HK\$51.0 million and loss attributable to owners of the Company of approximately HK\$58.1 million during the Financial Year. The management is cautiously optimistic that the economy would recover after the COVID-19 pandemic outbreak and the business prospects of the Group would remain strong again in the future. The Group’s business review and prospects are as follows:

### Financial Services

The Group’s financial services activities are mainly conducted under the brand name of “Cornerstone” and consisted of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). During the Financial Year, the total revenue of the financial service business amounted to approximately HK\$13.4 million. Margin financing business was the key income stream for the Group’s financial services business and margin loan financing of approximately HK\$128.9 million was granted to margin account clients as at 31 December 2020.

Over the past few years, the financial services business has proven its ability to generate stable revenue for the Group and approximately 97% of the revenue of the financial services business was contributed by the margin financing business. According to the financial records of the Group, the revenue of the margin financing business for the Financial Year was approximately HK\$13.0 million (2019: HK\$13.8 million). Despite considerable turbulence in 2020, particularly, the outbreak of COVID-19 and the Sino-US trade war that caused severe economic uncertainties and social unrest, the performance of the Group’s margin financing business remained stable and demonstrated its potential to further develop in a reliable source of revenue. Moreover, the breakthrough in the development of vaccine against COVID-19 and the economic measures taken by various governments such as the quantitative easing and stimulus packages to accelerate economic recovery are expected to have positive impact on the stock market. Major stock markets including the Hong Kong stock market have prompted positive expectations as reflected in the surge increase in Hang Seng Index, the high trade volume of securities and the number of large scale initial public offerings starting from the second half of 2020. Under the bullish market condition, Cornerstone Securities Limited (“CSL”) received numerous requests from existing and potential clients for the granting of margin loans for stock trading activities. In order to satisfy the increasing demand for margin loans, the Group considered it necessary to strengthen the capital base of CSL and to expand the margin financing business in order to reap the opportunities arising from the economic recovery and the increased number of listings of giant companies in Hong Kong in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The contribution from margin financing income is the core component for a securities company, and the Group anticipated that with more capital, more interest income and brokerage commission would be generated. The Company believes that there will be much room for expanding the margin financing business as CSL has a potential client base of high worth individuals in the PRC. It is expected that once the border restrictions are uplifted or relaxed when COVID-19 is under control, there will be an influx of potential investors from the PRC. Accordingly, the Company proposed a rights issue to expand its margin financing business in January 2021 to cope with the development of the margin financing business, however, the ordinary resolution for the proposed Rights Issue was not passed during the extraordinary general meeting on 22 March 2021. The Group is confident with the future prospect of the financing service business. Backed by the experience management team and its sound reputation in the industry, the financial services segment would continue to contribute encouraging results to the Group. The Company will continue to explore all feasible fund raising options to raise funds for expansion of the Group's margin financing business.

### Advertising and media business

The Group is a well-established digital out-of-home (“OOH”) media company in Hong Kong and Singapore, with an operating history since April 2004. It had pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings as well as the residential buildings to sell advertisement. The number of venues in which the Group deployed its flat-panel displays over the corresponding period of the previous year is shown as follows:

Region	Network	2020	2019
Hong Kong	Office, Commercial and Residential Network	1,046	974
Singapore	Office and Commercial Network	520	518
Total number of venues		1,566	1,492

As of 31 December 2020, the Group has deployed its branded flat-panel displays at 1,566 office, commercial and residential buildings in Hong Kong and Singapore under its digital OOH media network.

In addition to the flat-panel displays, the Group's OOH large format media network in Hong Kong (with details below) consists of ten sites of which nine are large LED panels and one is billboard; together with its well-established office, commercial and residential networks; the Group offers a well-rounded platform for advertisers to reach their audience at home, at work and at shopping, leisure & entertainment venues.

Capitalizing on the Group's success in operating digital media panels, the Group added one more large LED panel to the platform making it a total of nine situated in five strategic locations in Central, Causeway Bay, Tsim Sha Tsui, Mongkok and Kwun Tong.

In December 2020, the Group was awarded the exclusive advertising sales right of the LED panel at the prestigious office building named One Pacific Centre. It is located at 414 Kwun Tong Road in Kwun Tong, right next to the high traffic APM Shopping Mall and in between Millennium City 5 and 6 office towers. It is situated in the heart of Kwun Tong capturing people from the working level, leisure shoppers as well as residents in the neighborhood.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Meanwhile the Group continues to hold the exclusive advertising sales right of the Hilton Towers LED panel. It is located at 96 Granville Road, Tsim Sha Tsui East, facing the renowned “Water Fountain at Tsim Sha Tsui East” (Urban Council Centenary Garden) surrounded by well-known office buildings such as East Ocean Centre, New Mandarin Plaza, South Seas Centre and Peninsular Centre, etc. This strategic location captures high traffic of eyeballs generated from the office buildings nearby.

In addition, the Group also continues to hold the exclusive advertising sales right of the 655 Nathan Road LED panel, Mongkok. The LED panel is situated right next to Mongkok MTR station with white collars and shoppers coming in and out. It is facing the pedestrian path between Nathan Road and Portland Street heading to Langham Place with thousands of pedestrians traffic flow everyday. It is right in the heart of Mongkok targeting both locals and tourists.

As well, the Group continues to hold the exclusive advertising sales rights of the 8 Lyndhurst Terrace LED panel in Central and the Hung To Centre LED panel in Kwun Tong. 8 Lyndhurst Terrace is strategically located in prime Central CBD district closed to Lan Kwai Fong with a variety of dining and entertainment venues around. It is built on Pottinger Street linking Hollywood Road and Wellington Street surrounded by office buildings. Hung To Centre is located at 94-96 How Ming Street, Kwun Tong, the Kowloon East CBD district. Kwun Tong was once Hong Kong’s industrial district and it is now the up-and-coming business district with prestigious office towers and F&B outlets. The LED panel is only a block away from Millennium City and is facing the busy intersection of Hung To Road and How Ming Street with vehicles and pedestrians coming from all directions.

Finally, the Group continues to hold the exclusive advertising sales rights of four LED panels namely “V” and 3 Matheson Street in Causeway Bay, 53 Carnarvon Road in Tsim Sha Tsim and Le Diamant in Mongkok. Causeway Bay, Tsim Sha Tsim and Mongkok are amongst the busiest shopping and dining districts in Hong Kong.

Sogo Department Store (“Sogo”), Times Square and Lee Theatre are all renowned landmark shopping sites in Causeway Bay. “V” is just one block away from Sogo capturing both local and foreign shoppers. The large LED panels at 3 Matheson Street is a combo of G-Glass LED building wrap at the top with multi-layers LED panels at the bottom, where advertisers can deliver their messages creatively. It is strategically located between Times Square and Lee Theatre.

53 Carnarvon Road is in the center of busy Tsim Sha Tsui, known as the one-stop shoppers’ paradise brimming with both high-end malls and bustling shopping streets. 53 Carnarvon Road’s LEDs are in triple horizon L-shape LED format where advertisers can broadcast their messages in a unique and dynamic way. It is diagonally opposite to the shopping arcade “The One”, corner site at the junction of Granville Road and Carnarvon Road. Granville Road is a road with fashion shops piled with a variety of brands and boutiques.

Le Diamant’s LEDs are a combination of giant LED screen and LED billboard which are made up of a total of 212 sqm located in the buzzing Mongkok occupied by both locals and tourists. Le Diamant’s LEDs are located on Nathan Road in the liveliest district which includes popular shopping malls, stalls and shopping streets. It is a spot that will not be missed out by locals and tourists.

In October 2020, the Group decided not to continue with the exclusive advertising sales rights of the Knutsford Terrace billboard at Tsim Sha Tsui in order to better deploy its resources to other new OOH large format LED sites with higher profit margin.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Under its OOH large format media network in Singapore, the Group continues to hold its current OOH sites as well as adding new ones making it a total twelve strategically located OOH sites. Within the Raffles Green area which are just above the Raffles Place MRT station, located right in the heart of Singapore's financial district, the Group dominates the vicinity with three prominent sites, two illuminated large static billboard sites namely Clifford Centre and The Arcade and one LED screen at Change Alley Mall (previously known as Chevron House). We have also expanded our partnership with Change Alley Mall and 30 Raffles Place to market all their OOH spaces within the building.

The Group's other OOH large static format which targets SMEs includes exclusive partnerships with AZ @ Paya Lebar and Ark @ KB. AZ @ Paya Lebar building is centered within the districts of Paya Lebar, Ubi and Tai Seng; which is one of the busiest business and industrial hubs in Singapore. It faces heavy vehicle traffic at the cross junction of Paya Lebar Road, Ubi Avenue 2 and Circuit Link. Paya Lebar Road is also the main gateway to a major expressway where the exit and entry points are just 500 meters away. This billboard also targets foot-traffic flowing in and out of MacPherson MRT station, which is directly opposite of AZ @ Paya Lebar building. Another site reaching out to SMEs is ARK @ KB where the crowd are similar as of AZ building, where the site is visible across the flyover leading to the Kaki Bukit industrial area. The group has added exclusive partnership with 18 Tai Seng for various sites within the building as well as MRT underpass. This building serves as a retail and F&B hub choices as well as connector to MRT station for their surrounding SMEs and light industrial buildings.

The Group partners with Furama City Centre Hotel. The site is located in the heart of vibrant Chinatown, with a rich culture and longstanding history. The front lit large format billboard is visible to vehicle and human traffic along the extremely busy Eu Tong Sen Street and New Bridge Road.

The Group continues to hold exclusive advertising sales rights for all media and event spaces at Galaxis situated at One-North Buona Vista. Galaxis is a state-of-the-art business space that offers the very best in contemporary urban living and retail activities within a central plaza. Sitting above One-North MRT Station, Galaxis is the gateway to all other commercial buildings within the One-North business hub, which is a 200 hectares development strategically positioned in the heart of Singapore, designed to host a cluster of world-class research facilities and business park space.

Targeting shoppers around the Orchard shopping belt, the Group continues to hold the exclusive advertising sales rights (for static and digital) to the walkway at Orchard Gateway. It forms part of the underpass that links directly to the Somerset MRT station and also to both sides of Orchard Road. Orchard Gateway is the one-and-only shopping mall that straddles both sides of Orchard Road and is linked by a glass tubular bridge and an underpass — forming a "gateway" to the bustling shopping belt in Singapore.

The Group expanded its exclusive partnership with the 13-storey HarbourFront Centre (HFC) which is a thriving mixed-use development comprising of office and retail space, F&B outlets and an international cruise centre and now markets its various advertising format comprising of façade billboard to in-malls static site.

As well, the Group foresees the demand in reaching new suburban town thus went into partnership with Waterway Point for its façade LED screen as well as Marina Country Club. Both these property developments have retail and F&B that serves Punggol dwellers which has the highest concentration of young couples and highest proportion of children under 5 in Singapore.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group will continue to pursue the expansion of its digital OOH media networks, adding progressively one venue at a time as well as pursue new static/LED OOH sites under its OOH large format media network.

Lastly, the performance of the Group's advertising and media business was severely affected by the COVID-19 pandemic. Singapore has begun to open up in phases since June 2020 from the "lockdown" which was imposed during the months of April and May 2020. The Group's operations in Singapore is picking up slowly and gradually. As for Hong Kong, due to the outbreak of the fourth wave from November 2020 till now, it has affected the recovery of the Group's operations. The Group's performance is expected to improve in the second quarter of the year provided that there will be no massive outbreak again in both Singapore and Hong Kong.

### Film development, production and distribution

In August 2015, the Group completed the acquisition of Ricco Media Investments Limited ("RMI") which indirectly held 75% equity interest in Stan Lee Global Entertainment, LLC ("SLGE"). SLGE was engaged in the business of film development, production and distribution and owned intellectual property rights in three films in the script development phase, namely Realm, The Annihilator and Replicator & Antilight. Since completion of acquisition of the rights in these films, the Group has been actively seeking collaborating partners among studios in Hollywood and/or China to co-finance the funding necessary for the production of the films. As at the end of the Financial Year, the Group has not yet entered into any formal contractual agreement in relation to the production of these films. As disclosed in previous corporate publications, full impairment loss had been made for the intellectual property rights in this segment. The Company will continue to explore the potential value attributing to the film business and will keep on trying to identify potential investors to the development of the films as well as continuously review the business strategy of this segment.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### CORPORATE SOCIAL RESPONSIBILITY

As a good corporate citizen, the Group strives to improve society through community commitment. We continue to find ways to align citizenship initiatives on our platform and we take an active role in participating in various communities, charities and national building events in Singapore and Hong Kong to help and support the social communities.

Remarkable events in 2020 included:

1. Sponsorship of Santa Run for Wishes (Singapore)
2. Sponsorship of Singapore National Day Parade (Singapore)
3. Sponsorship of Assisi Hospice (Singapore)
4. Sponsorship of Singapore Kindness Movement (Singapore)
5. Sponsorship of Singapore Government's Covid-19 messages (Singapore)
6. Sponsorship of HK Breast Cancer Foundation (Hong Kong)
7. Sponsorship of Run into 2021 Virtual Run (Hong Kong)

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 1. Sponsorship of Santa Run for Wishes (Singapore)



### 2. Sponsorship of Singapore National Day Parade (Singapore)



### 3. Sponsorship of Assisi Hospice (Singapore)

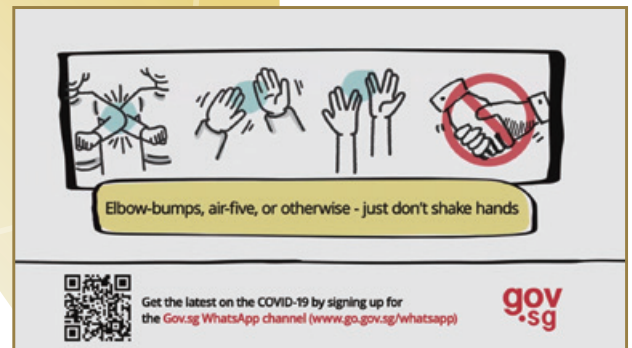
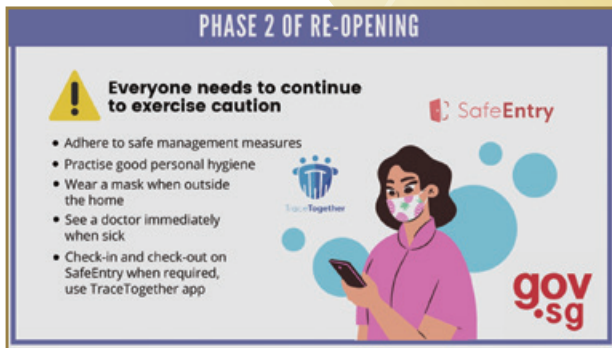


### 4. Sponsorship of Singapore Kindness Movement (Singapore)



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 5. Sponsorship of Singapore Government's Covid-19 messages (Singapore)



### 6. Sponsorship of HK Breast Cancer Foundation (Hong Kong)



### 7. Sponsorship of Run into 2021 Virtual Run (Hong Kong)



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

	2020 HK\$	2019 HK\$	2018 HK\$	2017 HK\$	2016 HK\$
Turnover	<b>50,973,229</b>	92,327,178	106,028,264	92,883,100	80,646,748
Gross profit	<b>32,470,780</b>	56,260,154	64,161,414	54,670,842	47,568,521
EBITDA (Note 1)	<b>(14,933,292)</b>	(1,546,174)	3,305,368	(8,382,423)	(10,031,487)
Net loss	<b>(59,198,261)</b>	(17,260,109)	(132,268,875)	(62,127,398)	(20,430,775)

Note:

- EBITDA represents profit/(loss) before finance costs, income tax, depreciation of property, plant and equipment and right-of-use assets, gain/(loss) on disposal of property, plant and equipment, impairment loss of an associate, impairment loss of property, plant and equipment and right-of-use assets, gain on termination of lease contracts, fair value gain/(loss) on equity investment at fair value through profit or loss, gain/(loss) on disposal of a subsidiary and the total comprehensive loss for the period attributable to non-controlling interests. While EBITDA is commonly used as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

The Group's revenue from continuing operations for the year ended 31 December 2020 was approximately HK\$51.0 million, representing a decrease of approximately 45% over the previous year. The significant decrease in revenue of the Group was mainly due to the outbreak of COVID-19 pandemic in 2020, for instance, the "lockdown" of Singapore during the months of May and June in 2020 and Hong Kong had experienced multiple waves of massive outbreak of COVID-19 throughout the year.

The Group's gross profit from continuing operations for the year ended 31 December 2020 was approximately HK\$32.5 million, representing a decrease of approximately 42% over the previous year. The Group's gross profit margin increased approximately from 61% to 64% due to the increase in the proportion of revenue from financial services to total revenue of the Group. Revenue from financial services business constituted approximately 26% (2019: 16%) of the total revenue of the Group.

In view of the deteriorating economy and disruption in the operations of the Group arising from the COVID-19 pandemic, the Group (i) has assessed and recognised the impairment losses of HK\$14.2 million in non-current assets of the Group, including property, plant and equipment, right-of-use assets; (ii) expected credit loss made on receivables amounted to HK\$14.3 million and (iii) change in fair value of listed investment amounted to HK\$6.4 million.

The Group's administrative expenses from continuing operations for the year ended 31 December 2020 was approximately HK\$61.8 million, representing a decrease of approximately 18% over the previous year. The decrease in administrative expenses was mainly due to the cost control and the reduction in business activities, especially in staff remuneration and travelling expenses, as a result of the COVID-19 pandemic.

Due to COVID-19 pandemic in 2020, the Group recorded a negative EBITDA amounted to approximately HK\$14.9 million for the year ended 31 December 2020 as compared to the Group's EBITDA amounted to approximately HK\$1.5 million for the previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$58.1 million for the year ended 31 December 2020 as compared to a loss attributable to owners of the Company of approximately HK\$18.1 million for the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Liquidity and financial resources

During the Financial Year, the Group financed its daily operations from internally generated resources. As at 31 December 2020, the Group had net current assets of approximately HK\$177 million (2019: HK\$219 million) and cash and cash equivalents of approximately HK\$83 million (2019: HK\$61 million).

### Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over Shareholders' fund, was approximately 1.6% as at 31 December 2020 (2019: 0.7%).

### Foreign exchange

For the year ended 31 December 2020, the Group was exposed to foreign currency risk with respect to its operations in Singapore where most of the business transactions, assets and liabilities were denominated in Singapore dollars. The Group will monitor its foreign currency exposure closely. During the year ended 31 December 2020, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

### Capital structure

The shares of the Company were listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves. As at 31 December 2020, the authorised share capital of the Company was HK\$500,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.01 each ("Share(s)"), of which 57,354,612 Shares were in issue.

Please refer to the section headed "Capital Reorganisation" in the Report of Directors and Note 35 to the Consolidated Financial Statements for details of changes of capital structure of the Company during the year ended 31 December 2020 and up to the date of this report.

### Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Information on employees

As at 31 December 2020, the Group had 73 employees (2019: 82 employees), including the executive Directors (the "Executive Directors"). Total staff costs (including Directors' emoluments) were approximately HK\$38 million for the Financial Year (2019: HK\$45 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options.

### Significant investments held

Except for investment in subsidiaries, joint ventures and an associate, the Group held approximately HK\$0.7 million listed investments as at 31 December 2020 (2019: HK\$7.1 million).

### Material acquisitions and disposals of subsidiaries and future plans for material investments

On 19 July 2019, the Group entered into a conditional sale and purchase agreement ("SPA") with an Independent third party to dispose 80% equity interest in Cornerstone Strategic Holding Limited ("CSHL") (the "Disposal"). CSHL was incorporated for applying the license to carry out Type 9 (asset management) regulated activity under the SFO, and such license was granted to Cornerstone Asset Management Limited ("CAML", a wholly-owned subsidiary of CSHL) in August 2018. All the conditions of the SPA have to be fulfilled on or before 30 June 2020 in order to proceed to completion of the Disposal. As the conditions precedent of the SPA were not fulfilled at 30 June 2020, the Disposal has lapsed automatically.

Save as disclosed herein, the Group did not make any material acquisition or disposal, nor had other plans for material investments and capital assets during the Financial Year.

### Charges of assets

As at 31 December 2020, the Group did not have any charges on its assets (2019: Nil).

### Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020 (2019: Nil).



# DIRECTORS' PROFILE

## EXECUTIVE DIRECTORS

**Mr. GAO Ran**, aged 29, was appointed as an executive Director, the chairman of the Board and the chairman of the executive committee of the Company on 4 December 2020. He is currently the chairman of Shenzhen Global Fund Management Co., Ltd.\* (深圳市全球基金管理有限公司) and an executive director and vice chairman of Xinyang Maojian Group Limited (stock code: 362), a company listed on the Main Board of the Stock Exchange. He was a non-executive director of Lapco Holdings Limited (stock code: 8472), a company listed on GEM of the Stock Exchange, from 22 July 2020 to 20 November 2020. Mr. Gao has extensive experience in fund investment and asset management, corporate strategy, corporate finance and business development and management. From June 2013 to September 2015, he was the chairman of Changchun Houde Real Estate Brokerage Co., Ltd.\* (長春市厚德房地產經紀有限公司). He also served as the chairman of Changchun Haizhong Real Estate Brokerage Co., Ltd.\* (長春市海眾房地產經紀有限公司) from October 2011 to May 2012. Mr. Gao was recognised as "Top Ten Leaders in China's Financial Industry"\* (中國金融行業十佳領軍人物), "Outstanding Leader of Jilin Province"\* (吉林省傑出領軍人物) and "Top Ten Outstanding Youth in Jilin Province"\* (吉林省十大傑出青年) and "First Person in Venture Capital after 90s"\* (90後風險投資第一人) by Beijing General Evaluation and Certification Center\* (北京鑒優品質量認證中心) and Beijing Evaluation and Assessment Center for Enterprise Creditability\* (北京審信核信企業信用評估中心), in 2017, 2018 and 2019 respectively. Mr. Gao is pursuing an executive master of business administration degree with The PBC School of Finance of Tsinghua University (清華大學五道口金融學院).

**Mr. AN Xilei**, aged 41, was appointed as an executive Director on 1 December 2016. At present, he is also the deputy chairman of the Board, a member of the executive committee, the chairman of the corporate governance committee, and an authorised representative (pursuant to Rule 5.24 of the GEM Listing Rules) of the Company. Mr. An is currently the chairman and chief executive officer of Zhengzhou Jinyicheng Investment Limited\* (鄭州金易誠投資有限公司) in the PRC. Mr. An has extensive experience in business investments in various fields including real estate, financial services and internet industries over a span of different markets like Hong Kong and the US. Mr. An is primarily responsible for the overall strategic planning for business development of the Group.

## DIRECTORS' PROFILE (CONTINUED)

**Mr. WONG Hong Gay Patrick Jonathan**, aged 56, co-founded Focus Media Network Limited (re-named as Cornerstone Financial Holdings Limited in January 2018) (the "Company") in April 2004 and led its listing on the Stock Exchange in July 2011. He was appointed a Director on 24 March 2011 and designated as an executive Director on 9 June 2011. At listing he assumed the roles of the chairman of the Board and a member of the remuneration committee of the Company, and subsequently the chairman of each of the nomination committee and the corporate governance committee of the Company until 1 December 2016. Mr. Wong currently serves as the chief executive officer of the Company and has been chief executive officer of the Company since its founding. He is also a director of certain subsidiaries of the Company. Apart from charting the Company's vision and mission and meeting the Company's overall business objectives, Mr. Wong is also responsible for key client/partnership development and new business initiatives and overall management of advertising sales and business development functions. Mr. Wong is an entrepreneur with over three decades of start-up and operational experience with a wide range of global and regional media and entertainment, broadcasting, mobile and satellite telecommunications, internet and digital out-of-home ventures. After completing six years of military service in Singapore, Mr. Wong started his career in publishing and in 1991 joined the founding team that launched Star TV. He went on to establish the regional satellite broadcaster's regional office in Singapore and served as its regional director, advertising sales for the Southeast Asia region. A year after the network was acquired by News Corporation, Mr. Wong was invited to rejoin the founders of Star TV to work on the launch of Pacific Century Group's Corporate Access where he served as the satellite-based corporate communications services provider's vice president for sales and advertising & promotions. When Corporate Access was acquired by Hutchison Whampoa, Mr. Wong was transferred to Hutchison Telecommunications where he served as its vice president, business development for the Asia region. While at Hutchison Telecommunications, Mr. Wong developed the desire to join the race to provide the world's first global mobile personal communications service or GMPCS. That led to his joining of Silicon Valley-based Local Space & Communications' Globalstar where he subsequently established the constellation's regional office in Hong Kong and served as its regional director for the Southeast Asia region. In 1999, Mr. Wong embraced the Asian Internet boom and became the founding managing director for 24/7 Media Asia, one of the three founding business units of Chinadotcom. At 24/7 Media Asia, Mr. Wong built a pan-Asian interactive advertising sales network that stretches across nine Asian countries within its first year of operations. Shortly afterwards, Mr. Wong founded the AdSociety Group, a venture that eventually became a part of the PCCW Group. As founder and group CEO, Mr. Wong established offices across nine major cities and formed joint ventures with Tokyu Agency Inc. (a member of Tokyu Corporation), LG Advertising Inc. (a member of LG Group) and the People's Daily Group, in Japan, South Korea and China, respectively, and worked with numerous sales and technology partners in the United States and Europe to establish a global advertising sales network and provided integrated online, broadband and mobile advertising, marketing and sales services to a diverse spectrum of premium online media properties. Following the burst of the technology bubble and the events of September 11, the Internet and mobile advertising venture was divested by PCCW on 3 October 2001. Soon afterwards, Mr. Wong was invited to rejoin the founders of PCCW to serve as the CEO of NOW Satellite TV.

**Mr. MOCK Wai Yin**, aged 48, was appointed as an executive Director on 27 November 2015. Currently, he is also an authorised representative (pursuant to Rule 5.24 of the GEM Listing Rules), the compliance officer (pursuant to Rule 5.19 of the GEM Listing Rules) and a member of the corporate governance committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Mock holds a Master of Philosophy degree in Biochemistry from The Chinese University of Hong Kong and a Master of Science degree in Hazard Analysis and Critical Control Point from University of Salford. He also holds a Postgraduate Diploma in Professional Accounting. Mr. Mock has over 15 years of experience in research analysis and over three years of world-wide experience in natural resources, project investment and property development as well as project valuation and budget management. He was an executive director of Boill Healthcare Holdings Limited (stock code: 1246), a company listed on the Main Board of the Stock Exchange, from July 2015 to December 2018, and of South East Group Limited (now known as DIT Group Limited, stock code: 726), a company listed on the Main Board of the Stock Exchange, from December 2013 to February 2015.

## DIRECTORS' PROFILE (CONTINUED)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHAN Chi Keung Alan**, aged 57, was appointed an independent non-executive Director on 9 June 2011. He is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Chan is a qualified solicitor admitted in England & Wales in October 1991 and in Hong Kong in February 1992 and has practiced corporate and commercial law for more than two decades. Mr. Chan is an independent non-executive director, and a member of each of the audit committee and nomination committee of Changyou Alliance Group Limited (formerly known as Fortunet eCommerce Group Limited, a company listed on the Main Board of the Stock Exchange) (stock code: 1039). He was an independent non-executive director of L & A International Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8195), from September 2014 to October 2015; and was also an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of BOSA Technology Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8140) from 19 June 2018 to 29 February 2020. Previously, Mr. Chan was the senior general counsel of Imperial Pacific International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1076), which owns an exclusive casino gaming license in Saipan, Commonwealth of Northern Mariana Islands; and prior to that, he was the Vice President, Legal of NagaCorp Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3918) which owns, manages and operates the largest integrated gaming, leisure and entertainment hotel complex in the Kingdom of Cambodia, as well as the Head of Legal Services for the Hong Kong Jockey Club. Mr. Chan started his career in 1992 in Hong Kong as a corporate finance lawyer with Stephenson Harwood & Lo. He later acted as the senior assistant director, legal department, of the Land Development Corporation (now known as Urban Renewal Authority). Mr. Chan was the legal counsel for one of the leading US information technology companies, Sun Microsystems for Greater China, the Asia Pacific legal director for St. Jude Medical, and the vice president of Legal Affairs at Celestial Pictures Limited, a subsidiary of Astro All Asia Networks Plc., a Malaysian company that carries out business relating to cross media, in particular, direct-to-home television services, commercial radio and television programming. Celestial Pictures Limited is a commercial media company that owns and distributes the largest film library in Asia, including the Shaw Brothers film library, with worldwide entertainment assets in the motion picture, television, and new media industries. Mr. Chan obtained a Bachelor of Science degree in Civil Engineering from the Aston University of Birmingham, England in July 1986 and a LLB in China Law from the China University of Political Science and Law, Beijing, PRC in June 1999. He is a registered civil celebrant in Hong Kong and served as a board director (and former chairman) of Theatre Space Foundation Limited, a theatrical drama performance charitable institution; an Honorary Legal Advisor of each of Community Careage Foundation Limited, a charitable organisation with objectives to relief sickness, physical and mental disability of poor elderlies in the community; and Tong Sam Charity Association with objectives to build schools and provide other educational support to children in need. Mr. Chan is a Council Member of the China Overseas Friendship Association, Beijing, China; legal advisor of the Hong Kong Chiu Chow Community Organizations Limited and the Overseas Teo Chew Entrepreneurs Association Limited.

## DIRECTORS' PROFILE (CONTINUED)

**Mr. LEE Chi Hwa Joshua**, aged 48, was appointed as an independent non-executive Director on 27 November 2015. He is presently the chairman of each of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Lee is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has extensive experience in the fields of auditing, accounting and financing. Mr. Lee currently serves as an independent non-executive director of Aceso Life Science Group Limited (formerly known as Hao Tian Development Group Limited, stock code: 474), Hao Tian International Construction Investment Group Limited (stock code: 1341), Fujian Nuoqi Co., Ltd. (stock code: 1353, listing status cancelled on 8 February 2021), and Farnova Group Holdings Limited (formerly known as Code Agriculture (Holdings) Limited, stock code: 8153). He was an executive director of Link-Asia International Co. Ltd. (now known as Link-Asia International MedTech Group Limited, stock code: 1143) from November 2015 to December 2019, an independent non-executive director of South East Group Limited (now known as DIT Group Limited, stock code: 726) from December 2013 to February 2015; an independent non-executive director of King Stone Energy Group Limited (stock code: 663) from January 2012 to April 2013; an independent non-executive director of Jin Bao Bao Holdings Limited (now known as Teamway International Group Holdings Limited, stock code: 1239) from March 2015 to August 2017; and an independent non-executive director of China Fortune Investments (Holding) Limited (stock code: 8116) from May 2007 to March 2021.

**Ms. LAU Mei Ying**, aged 38, was appointed as an independent non-executive Director on 27 November 2015. Currently, she is also a member of each of the audit committee, the nomination committee, the remuneration committee and the corporate governance committee of the Company. Ms. Lau graduated from The Chinese University of Hong Kong with a bachelor degree of Social Science in Economics. Ms. Lau has extensive experiences in the financial market and insurance underwriting. She has been a fellow member of Life Management Institute issued by Life Office Management Association since November 2008. Ms. Lau is presently an executive director of PacRay International Holdings Limited (stock code: 1010). She was an independent non-executive director of Boill Healthcare Holdings Limited (stock code: 1246) from 15 July 2015 to 17 July 2017.

\* The English name of the PRC entity is for information purpose only. In case of any inconsistency, the Chinese name shall prevail.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board of Directors of the Company (the “Board”) believes that good corporate governance is one of the areas that leads to the success of the Company and in balancing the interests of Shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

For the year ended 31 December 2020, the Company had complied with the code provisions (the “Code Provision(s)”) set out in the Corporate Governance Code (the “Corporate Governance Code”) as contained in Appendix 15 to the GEM Listing Rules, except where otherwise stated.

### Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Specific enquiry had been made to all existing Directors who confirmed that they had complied with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the year ended 31 December 2020.

## BOARD OF DIRECTORS

### Composition and Responsibilities

The Board comprised the following directors during the year ended 31 December 2020 and up to the date of this report:

#### Executive Directors:

Mr. GAO Ran (*Chairman*) (appointed on 4 December 2020)

Mr. AN Xilei (*Deputy Chairman*) (*Note*)

Mr. WONG Hong Gay Patrick Jonathan (*CEO*)

Mr. MOCK Wai Yin

Mr. WANG Jun (resigned on 10 March 2021)

#### Independent Non-executive Directors:

Mr. CHAN Chi Keung Alan

Mr. LEE Chi Hwa Joshua

Ms. LAU Mei Ying

*Note:* Mr. An Xilei ceased to act as the Chairman of the Board but was appointed as the Deputy Chairman of the Board, both with effect from 4 December 2020.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The relationship among members of the Board and biographical details of the Directors who are currently serving the Board are set out in the section headed “Directors’ Profile” on pages 15 to 18. Save for the Directors’ business relationships as a result of their respective directorships in the Company and its subsidiaries or else as disclosed in each of their respective biographies as aforementioned or in this annual report, there are no financial, business, family or other material or relevant relationships among members of the Board.

The Board is accountable to the Shareholders for the Company’s performance and activities. While the Board is primarily overseeing and managing the Company’s affairs, the Chairman of the Board provides leadership to the Board in carrying out its duties. The executive Directors (the “Executive Directors”) constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The non-executive Directors (the “Non-executive Directors”) (including the Independent Non-executive Directors) contribute valuable views and proposals for the Board’s deliberation and decisions.

### Board Meetings

The Board has drawn up a schedule to meet regularly at least four times a year at approximately quarterly intervals, pursuant to Code Provision A.1.1 of the Corporate Governance Code, to consider and approve quarterly, half-yearly and annual results of the Group, as well as to discuss the overall strategy, business operations and development of the Group. Notice is given to all Directors at least 14 days in advance for a regular board meeting in accordance with Code Provision A.1.3 of the Corporate Governance Code. For the sake of flexibility, the Board may also hold meetings whenever necessary other than the regular meetings; in such case, reasonable notice will be given. For the year ended 31 December 2020, the Board has convened seven meetings (including four regular Board meetings but excluding the committee meetings) that required directors’ attendance in person or through electronic means of communication.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Directors' Attendance at Board/General Meetings

During the year ended 31 December 2020, the Company has held two general meetings (including the annual general meeting for 2020). The individual attendance record of each Director at the meetings of the Board and general meetings is as follows:

	Number of Board meetings attended/held	Number of general meetings attended/held
<i>Executive Directors:</i>		
Mr. GAO Ran (appointed on 4 December 2020)	1/1	N/A
Mr. AN Xilei	5/7	2/2
Mr. WONG Hong Gay Patrick Jonathan	7/7	2/2
Mr. MOCK Wai Yin	6/7	2/2
Mr. WANG Jun (resigned on 10 March 2021)	7/7	2/2
<i>Independent Non-executive Directors:</i>		
Mr. CHAN Chi Keung Alan	7/7	2/2
Mr. LEE Chi Hwa Joshua	7/7	2/2
Ms. LAU Mei Ying	7/7	2/2

As stated above, appropriate notices are given to all Directors in advance for attending regular and other Board or Board committee meetings. Meeting agenda and other relevant information are provided to the Directors in advance of the Board or Board committee meetings. All Directors are consulted to include additional matters in the agenda for such meetings pursuant to Code Provision A.1.2 of the Corporate Governance Code.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Draft of the minutes will be circulated to all Directors and/or all members of the relevant Board committees for their comment within a reasonable time after convening of the pertaining meeting. Minutes of Board and Board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director in accordance with Code Provision A.1.4 of the Corporate Governance Code.

In addition, a meeting between the Chairman and the Independent Non-executive Directors was held without the presence of other Directors in accordance with Code Provision A.2.7 of the Corporate Governance Code during the Financial Year.

The Company has arranged for appropriate liability insurance cover for its Directors in accordance with Code Provision A.1.8 of the Corporate Governance Code. The insurance coverage is reviewed on an annual basis.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Chairman and Chief Executive

During the Financial Year, the position of the chairman of the Company was held by Mr. An Xilei from 1 January 2020 to 4 December 2020, and by Mr. Gao Ran from 4 December 2020 up to the date of this report. The position of the chief executive officer of the Company was held by Mr. Wong Hong Gay Patrick Jonathan. The roles of chairman and chief executive officer of the Company are separate in accordance with Code Provision A.2.1 of the Corporate Governance Code. The chairman is responsible for the management of the Board to formulate business development strategy; while the chief executive officer focuses on the day-to-day management of business and overall operations of the Group.

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

Each of the following executive Directors, who are currently serving the Board, has entered into a service contract or letter of appointment with the Company. Mr. Gao Ran has entered into a letter of appointment with the Company terminable by not less than three months' notice in writing served by either party on the other. Mr. An Xilei has entered into a service contract with the Company terminable by either party giving not less than three months' notice in writing served by either party on the other. Mr. Wong Hong Gay Patrick Jonathan has entered into a service contract with the Company for an initial fixed term of one year and shall continue thereafter until terminated by not less than six months' notice in writing served by either party on the other. Mr. Mock Wai Yin has entered into a letter of appointment with the Company terminable by not less than three months' notice in writing served by either party on the other. Each of the following Independent Non-executive Directors has entered into a service contract or letter of appointment with the Company. Mr. Chan Chi Keung Alan has entered into a service contract with the Company for a term of one year renewable automatically for successive terms of one year until terminated by not less than one month's notice in writing served by either party on the other. Each of Mr. Lee Chi Hwa Joshua and Ms. Lau Mei Ying has entered into a letter of appointment with the Company terminable by not less than three months' notice in writing served by either party on the other, subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Articles. All Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings in accordance with the provisions of the Articles.

In accordance with Article 83(3) of the Articles, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In accordance with Article 84 of the Articles, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. Accordingly, Mr. Gao Ran shall retire from office at the 2021 Annual General Meeting pursuant to Article 83(3) of the Articles, and Mr. Wong Hong Gay Patrick Jonathan, Mr. An Xilei and Ms. Lau Mei Ying shall retire by rotation at the 2021 Annual General Meeting pursuant to Article 84 of the Articles. All of them being eligible, will offer themselves for re-election at such annual general meeting.

According to the requirement of the Articles as regards retirement of directors by rotation as abovementioned, the Board considers the same purpose as a specific term of appointment can be achieved.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Confirmation of Independence of Independent Non-executive Directors

Each of the existing Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all existing Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

### Directors' Participation in Continuous Professional Trainings

Newly appointed Directors will be provided with necessary induction and information to ensure that they have a proper understanding of the Company's business and operations, as well as director's responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

Under Code Provision A.6.5 of the Corporate Governance Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company will provide the Directors with updates on laws, rules and regulations which may be relevant to their roles, duties and functions as director of a listed company, as well as updates on the Company's performance, position and prospects as and when appropriate to enable them to discharge their duties. Directors are also encouraged to attend relevant training courses at the Company's expense.

A summary of training taken by the Directors during the Financial Year is set out below:

	Training activities including in-house briefings/updates, training courses/seminars held by professional organisations and/or reading materials on relevant topics
<i>Executive Directors:</i>	
Mr. GAO Ran (appointed on 4 December 2020)	N/A
Mr. AN Xilei	✓
Mr. WONG Hong Gay Patrick Jonathan	✓
Mr. MOCK Wai Yin	✓
Mr. WANG Jun (resigned on 10 March 2021)	✓
<i>Independent Non-executive Directors:</i>	
Mr. CHAN Chi Keung Alan	✓
Mr. LEE Chi Hwa Joshua	✓
Ms. LAU Mei Ying	✓

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### BOARD COMMITTEES

#### Audit Committee

The Audit Committee of the Company was established with written terms of reference in compliance with the relevant Code Provisions of the Corporate Governance Code from time to time. The terms of reference of the Audit Committee adopted on 26 March 2012 were amended in January 2016 and January 2019 to reflect the additional responsibilities of the Audit Committee in view of the requirements on risk governance in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules applicable to accounting periods beginning on or after 1 January 2016 and to reflect the relevant amendments to the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the related GEM Listing Rules which took effect on 1 January 2019 respectively. The latest version of the terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting system, risk management and internal control procedures. It reports to the Board and has held regular meetings to review and make recommendations to improve the Group's financial reporting and internal control matters.

The composition of the Audit Committee during the Financial Year and up to the date of this report is as follows:

*Independent Non-executive Directors:*

Mr. LEE Chi Hwa Joshua (*Chairman*)

Mr. CHAN Chi Keung Alan

Ms. LAU Mei Ying

During the Financial Year, the Audit Committee has held six meetings and the attendance of each of its members is set out below:

Name of member	Number of meetings attended/held
Mr. LEE Chi Hwa Joshua ( <i>Chairman</i> )	6/6
Mr. CHAN Chi Keung Alan	6/6
Ms. LAU Mei Ying	6/6

The summary of work of the Audit Committee during the Financial Year is as follows:

- reviewed the annual, interim and quarterly reports of the Company and provided advice and recommendations to the Board in such regard;
- met with the then external auditors and reviewed the annual report of the Company;
- reviewed the effectiveness of the Company's internal control and risk management systems;
- reviewed the remuneration and terms of engagement of the external auditors;
- recommended the appointment of the new auditors to fill the casual vacancy; and
- met with the new external auditors and reviewed the scope of work before commencement of audit for the Financial Year.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Remuneration Committee

The Board established the Remuneration Committee with written terms of reference in compliance with the relevant Code Provisions of the Corporate Governance Code from time to time. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for, among others, making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy and to review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objectives.

The composition of the Remuneration Committee during the Financial Year and up to the date of this report is as follows:

*Independent Non-executive Directors:*

Mr. LEE Chi Hwa Joshua (*Chairman*)

Mr. CHAN Chi Keung Alan

Ms. LAU Mei Ying

During the Financial Year, the Remuneration Committee has held one meeting and the attendance of each of its members is set out below:

Name of member	Number of meetings attended/held
Mr. LEE Chi Hwa Joshua ( <i>Chairman</i> )	1/1
Mr. CHAN Chi Keung Alan	1/1
Ms. LAU Mei Ying	1/1

The summary of work of the Remuneration Committee during the Financial Year is as follows:

- recommended to the Board the discretionary bonus, if any, payable to the Executive Directors for the Financial Year;
- reviewed the remuneration packages of the Executive Directors for the Financial Year; and
- reviewed the directors' fees of the Non-executive Directors (including the Independent Non-executive Directors) for the Financial Year, as well as recommended to the Board for approval such directors' fees upon appointment of new Non-executive Directors (including Independent Non-executive Directors), if applicable.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Nomination Committee

The Board established the Nomination Committee with written terms of reference in compliance with the relevant Code Provisions of the Corporate Governance Code from time to time. The written terms of reference of the Nomination Committee adopted on 26 March 2012 were amended in January 2019 to reflect the relevant amendments to the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the related GEM Listing Rules which took effect on 1 January 2019. The latest version of the terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually, identifying individuals suitably qualified to become Directors, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the Nomination Committee during the Financial Year and up to the date of this report is as follows:

*Independent Non-executive Directors:*

Mr. LEE Chi Hwa Joshua (*Chairman*)

Mr. CHAN Chi Keung Alan

Ms. LAU Mei Ying

During the Financial Year, the Nomination Committee has held two meetings; the attendance of each of its members is set out below:

Name of member	Number of meetings attended/held
Mr. LEE Chi Hwa Joshua ( <i>Chairman</i> )	2/2
Mr. CHAN Chi Keung Alan	2/2
Ms. LAU Mei Ying	2/2

The summary of work of the Nomination Committee during the Financial Year is as follows:

- evaluated and made recommendation on individuals nominated for directorship;
- reviewed the structure, size and composition of the Board;
- reviewed the independence of the Independent Non-executive Directors; and
- made recommendation on the retiring Directors at the 2021 Annual General Meeting of the Company for re-election.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Board Diversity Policy

The Company recognizes the benefits of diversity of Board members. The board diversity policy of the Company (the “Board Diversity Policy”) has been published on the Company’s corporate website ([www.cs8112.com](http://www.cs8112.com)) for public information. A summary of this policy is set out below. In designing the Board’s composition and selecting candidates to the Board, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has monitored the implementation of the Board Diversity Policy since its adoption in August 2013, and will review the policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions to the Board Diversity Policy that may be required and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management. As at the date of this report, the Board comprises seven Directors. Three of them are Independent Non-executive Directors and independent of management, thereby promoting critical review and control of the management process. The Board is considered as diversified in terms of professional background and skills of its members.

### Nomination of Directors

The Nomination Committee is responsible for the formulation of nomination policies, making recommendations to Shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons for selection and appointment by the Board to fill casual vacancies or as additions to the Board.

The Company adopted a nomination policy (the “Nomination Policy”) in March 2019, which has been published on the Company’s corporate website for public information. The Nomination Policy sets out the selection criteria and procedures governing the nomination of Directors applicable to both new appointments and re-appointments. A summary of this policy is set out below. When assessing the suitability of individuals nominated for directorships (including a Director eligible for re-appointment), it will take into consideration selection criteria such as expertise, experience, diversity perspectives as set out in the Board Diversity Policy, integrity and commitment.

The Nomination Committee will monitor the implementation of the Nomination Policy from time to time and make recommendations to the Board on any proposed revisions as and when necessary to ensure its effectiveness.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Corporate Governance Committee

The Board established the Corporate Governance Committee with written terms of reference in compliance with the relevant Code Provisions of the Corporate Governance Code from time to time. The written terms of reference of the Corporate Governance Committee are available on the websites of the Company and the Stock Exchange.

The composition of the Corporate Governance Committee during the Financial Year and up to the date of this report is as follows:

*Executive Directors:*

Mr. AN Xilei (*Chairman*)  
Mr. MOCK Wai Yin

*Independent Non-executive Director:*

Ms. LAU Mei Ying

Pursuant to Code Provision D.3.1 of the Corporate Governance Code, the primary duties of the Corporate Governance Committee include, among others, to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of directors and senior management; and to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

During the Financial Year, the Corporate Governance Committee has held one meeting, and the attendance of each of its members is set out below:

Name of member	Number of meetings attended/held
Mr. AN Xilei ( <i>Chairman</i> )	1/1
Mr. MOCK Wai Yin	1/1
Ms. LAU Mei Ying	1/1

The summary of work of the Corporate Governance Committee during the Financial Year is as follows:

- reviewed the corporate governance practices of the Group;
- reviewed the training programmes for Directors and senior management of the Company;
- reviewed the Company's policies such as human resources policy, code of conduct and grievance policy;
- reviewed the current practices on compliance with legal and regulatory requirements;
- provided latest updates on laws, rules and regulations to Directors; and
- reviewed the compliance with the Code Provisions and disclosures in the Corporate Governance Report.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Executive Committee

The Board established the Executive Committee on 26 March 2018 with specific terms of reference to deal with its authority and duty. To enhance its corporate governance and in line with the changes to the composition of the Board, the written terms of reference of the Executive Committee were amended in October 2018. The latest version of the terms of reference of the Executive Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Executive Committee include, among others, to make business and investment decisions; to evaluate, determine and approve the Company's funding requirements and to formulate financial/treasury planning strategy; to agree the required facilities with banks and/or financial institutions in accordance with the financial/treasury plan approved by the Board; and to assume such other responsibilities as from time to time may be delegated by the Board.

The composition of the Executive Committee during the Financial Year and up to the date of this report is as follows:

#### *Executive Directors:*

Mr. GAO Ran (*Chairman*) (appointed on 4 December 2020)

Mr. AN Xilei (re-designated from the chairman to a member on 4 December 2020)

Mr. WANG Jun (resigned on 10 March 2021)

During the Financial Year, the Executive Committee has dealt with matters in accordance with the delegated authority pursuant to the terms of reference of the Executive Committee by passing resolutions in writing:

Name of member	Written resolutions
Mr. GAO Ran ( <i>Chairman</i> ) (appointed on 4 December 2020)	N/A
Mr. AN Xilei (re-designated from the chairman to a member on 4 December 2020)	3/3
Mr. WANG Jun (resigned on 10 March 2021)	3/3

*Note:* During the Financial Year, the position of chairman of the Executive Committee was taken up by Mr. An Xilei up to his re-designation as a member on 4 December 2020, and by Mr. Gao Ran from 4 December 2020 up to the date of this report. As at the year-end date, the Executive Committee comprised of three members, namely Mr. Gao Ran (chairman), Mr. An Xilei and Mr. Wang Jun as member; and as at the date of this report, it was comprised of two members, namely Mr. Gao Ran (chairman) and Mr. An Xilei.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

#### Emolument Policy

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of Executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions. The remuneration policy of Non-executive Directors (including Independent Non-executive Directors) is to ensure that the Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of Non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends.

### ACCOUNTABILITY AND AUDIT

#### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and suitable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable; and the financial statements are prepared on a going concern basis.

#### Auditor's Remuneration

Zenith CPA Limited ("Zenith") resigned as the external auditors of the Company on 22 December 2020. Yongtuo Fuson CPA Limited ("Yongtuo Fuson") was appointed as the new auditor of the Company to fill the casual vacancy following the resignation of Zenith with effect from 22 December 2020 until the conclusion of the forthcoming annual general meeting of the Company

The fee in respect of annual audit services provided by Yongtuo Fuson for the Financial Year amounted to approximately HK\$800,000 (2019: HK\$1,150,000 for annual audit services provided by Zenith). The fee in respect of non-audit services provided by Yongtuo Fuson for the Financial Year was nil (2019:HK\$120,000 for non-audit services provided by Zenith).

The reporting responsibilities of Yongtuo Fuson are set out in the Independent Auditors' Report on pages 62 to 66.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for establishing, maintaining and monitoring of the Group's systems of risk management and internal control, which should cover all material controls including financial, operational and compliance controls. The systems include a defined management structure with limits of authority, and are designed to help the Group identify and manage significant risks to achieve its business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulation. Such systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate the risk of failure to achieve business objectives.

There is currently no internal audit function within the Group. Taking into account of its size, nature and complexity of its business operations, the Group considers that the current organisation structure and management could provide adequate risk management and internal control of the Group. The Heads of each core business segment monitor compliance with policies and procedures and the effectiveness of internal control systems in respect of their responsible business segments. The Company also engaged an independent external consulting firm to review and assess the effectiveness of the risk management and internal control systems of the Group during the Financial Year. The assessment covers all material controls including financial, operational and compliance controls, as well as risk management functions during the Financial Year. The Audit Committee has reviewed the assessment report with the management, and noted that no significant areas of improvement are brought to its attention. The Company also conducted a review on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year under review. Accordingly, the Board was satisfied that the prevailing risk management and internal control systems of the Group are effective and adequate.

### DELEGATION BY THE BOARD

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's Articles as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the Articles).

The Board has established five committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the Executive Committee. The majority of members of the Audit Committee, the Remuneration Committee and the Nomination Committee must be the Independent Non-executive Directors, so that the Independent Non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees that they are serving.

The Board has delegated the responsibility to the Corporate Governance Committee for performing the corporate governance duties as set out in paragraph D.3 of the Corporate Governance Code.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the Executive Directors, in particular the Executive Committee, which has been established to facilitate efficient operations and management of the Group. Clear guidance has been made as to the matters that should be reserved to the Board for its decision.

### COMPLIANCE OFFICER

Mr. Mock Wai Yin assumed responsibility for acting as the compliance officer of the Company pursuant to Rule 5.19 of the GEM Listing Rules during the Financial Year and up to the date of this report.

### COMPANY SECRETARY

Ms. Chan Sau Chee ("Ms. Chan") is the company secretary of the Company. She reports to the Executive Directors and is responsible for advising the Board on corporate governance and other company secretarial matters. In compliance with Rule 5.15 of the GEM Listing Rules, Ms. Chan has undertaken not less than 15 hours of relevant professional training to update her skill and knowledge during the year ended 31 December 2020.

### CONSTITUTIONAL DOCUMENTS

During the Financial Year, there are no changes in the constitutional documents of the Company.

### SHAREHOLDERS' RIGHTS

#### The way by which Shareholders can convene extraordinary general meeting(s) ("EGM")/put forward proposal(s)

According to the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

And, if a Shareholder wishes to propose a person other than a Director retiring for election as a Director at an annual general meeting (“AGM”), the Shareholder should deposit a written notice of nomination at the head office of the Company or at the office of the Company’s Branch Share Registrar within a period of at least seven (7) days commencing from the day after the dispatch of the AGM notice and ending no later than seven (7) days prior to the date of the AGM. The relevant procedures will be set out in the circular regarding, among others, the 2021 Annual General Meeting of the Company, which will be delivered together with this annual report to the Shareholders of the Company.

### **The procedures for sending enquiries to the Board**

Specific enquiries from Shareholders to the Board can be sent in writing to the Company at our head office in Hong Kong.

### **COMMUNICATION WITH SHAREHOLDERS**

Save as mentioned under the section headed “The Procedures for Sending Enquiries to the Board” above, in order to provide more relevant information to our Shareholders, the Company has published all corporate information, news and events about the Group on its website for easy access by the Shareholders.

Hong Kong, 29 March 2021



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND REPORTING

This Environmental, Social and Governance Report (the “ESG Report”) summarises the initiatives, programmes and performance of the Group as well as demonstrates its commitment to sustainability.

The core businesses of the Group are principally engaged in (i) financial services; and (ii) provision of OOH advertising services during the year ended 31 December 2020

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

## REPORTING SCOPE

Unless stated otherwise, this report mainly covers the Group’s major operating revenue activities under direct management control, including but not limited to (i) financial services; and (ii) provision of OOH advertising services.

The Group will continue to assess the major environmental, social and governance aspects of different businesses to determine whether it needs to be included in the environmental, social and governance reporting.

## REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 20 of the GEM Listing Rules (the “ESG Reporting Guide”).

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 19 to 33 of this report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## REPORTING PERIOD

The ESG Report specifies the environmental, social and governance activities, challenges and measures being taken during the year ended 31 December 2020.

## STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

## Materiality Assessment

The management and employees who are responsible for the key functions of the Group have participated in preparing this report, assisted the Group in reviewing its operation, identifying key environmental, social and governance issues and assessing the importance of these issues to our businesses and stakeholders. We compiled a questionnaire in reference to the identified material environmental, social and governance issues to collect the information from relevant departments and business units of the Group.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The following table summarises the Group's significant environmental, social and governance issues as set out in this report:

The ESG Reporting Guide	Material ESG aspects of the Group	Page
<b>A. Environment</b>		
A1. Emissions	Emissions, Wastewater and Waste Management	37
	Greenhouse Gas Emission	38
A2. Use of Resources	Energy Consumption	40
	Water Consumption and use of Packaging materials	40
A3. The Environment and Natural Resources	Environmental Impact Management	41
<b>B. Society</b>		
B1. Employment	Employee Benefits and Equal Opportunities Policies	42
B2. Health and Safety	Occupational Health and Safety	43
B3. Development and Training	Staff Development and Training	44
B4. Labor Standards	Prevention of Child Labor or Forced Labor	44
B5. Supply Chain Management	Environmental and Social Risk Management of Supply Chain	45
B6. Product Responsibility	Quality and Safety of Products and Services	45
	Intellectual Property Management	46
	Social Moral Standards	46
B7. Anti-Corruption	Prevention of Corruption and Fraud	47
B8. Community Investment	Contributions to Society	48

During the year ended 31 December 2020, the Group confirmed that appropriate and effective management policies and internal control systems for environmental, social and governance issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

### Contact us

Comments and suggestions are welcome from our stakeholders. You may provide comments on ESG report or towards our performance in respect of sustainable development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## A. ENVIRONMENT

### A1. Emissions

#### **(a) Policy**

The businesses of the Group, which mainly involves (i) financial services; (ii) provision of OOH advertising services, and (iii) film development, production and distribution, mainly rely on internet technology and related equipment and do not involve any manufacturing processes in the course of business. Therefore, during the year ended 31 December 2020, the Group and its office did not generate significant emissions, water pollutants and hazardous wastes during the operation, except for greenhouse gas (“GHG”) emissions and non-hazardous waste.

Global warming and climate change have become major environmental issues to the world. The Group aims to minimize energy consumption and carbon emissions and has been exploring ways of adopting operational model which incurs less adverse impact on the environment. From the reporting of environmental perspective, we mainly focused on the environmental impact of the Group’s offices in Hong Kong and Singapore and relevant measures to be taken during the daily operation and have formulated policies and procedures relating to the environmental management to govern limited greenhouse gas emissions and non-hazardous waste generated from our operation.

#### **(b) Compliance with Relevant Laws that have Significant Impact**

The Group has complied with relevant environmental laws and regulations in Hong Kong, including but not limited to Air Pollution Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance, Environmental Impact Assessment Ordinance, Ozone Layer Protection Ordinance, and Product Eco-responsibility Ordinance. During the year ended 31 December 2020, the Group was not aware of any material noncompliance with laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste that would have a significant impact on the Group.

Performance of the Group on pollution control has not given rise to any serious concern from the Group or government departments. No breach of statutory requirements or penalties have been recorded in the Reporting Period.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### *Waste management*

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by our business activities. Our waste management practice has been complied with relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's operations mainly consist of paper, toner cartridges and ink cartridges. During the year ended 31 December 2020, the consumption volume generated by the Group is shown as below:

Non-hazardous waste category	Quantity	Unit	Intensity — Unit per employee
Paper	0.3	Tonnes	0.004
Toner cartridge	9.2	Pieces	0.130

We regularly monitor the consumption volume of paper and toner cartridges and have implemented a number of reduction measures. The Group's office has also provided suitable facilities and encouraged our staff to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

Apart from recycling, the office has implemented various programs and activities to encourage employees to participate in waste reduction management, including:

- Promote green information and electronic communication, such as e-mail and electronic workflows, to implement "paperless system" concept;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and double-side printing. Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary; and
- Recommend the use of recycled paper.

The Group does not produce any hazardous wastes in its business activities.

### *GHG emission*

The consumption of electricity at the offices and petrol are the largest sources of greenhouse gas emissions of the Group. During the year ended 31 December 2020, the Group's total GHG emissions amounted to approximately 46.1 tonnes and the total GHG emission per employee was 0.65 tonne/employee. The detailed summary of the GHG emission is shown as below:



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### GHG Performance Summary

GHG Scope <sup>1</sup>	Intensity — Tonnes	
	Tonnes	per employee
Direct GHG emission (Scope 1) — petrol consumption	9.6	0.14
Indirect GHG emission (Scope 2) — electricity consumption	35.2	0.50
Other indirect GHG emission (Scope 3) — paper and water consumption	1.3	0.02
<b>Total GHG emission</b>	<b>46.1</b>	<b>0.65</b>

The Group has implemented a number of measures to mitigate energy consumption such as turning off the lighting and airconditioning system at night or when leaving office, keeping the office temperature at 25°C in summer and using LED lights or energy-saving light in the office, etc.

At the project level, the Group considers the principle of environmental protection when launching each of its projects. For example, in the course of selecting suppliers, we assess whether the materials used by the suppliers in the activities are hazardous to the environment and whether they can effectively conserve energy and minimize carbon emissions. In addition to the above-mentioned measures, the Group issues environmental-related memorandum to its staff to raise their awareness of environmental preservation. Notices and posters relating to the environmental information have been placed in the offices to promote the best practice of the environmental management.

On top of complying with the general disclosure requirement of Aspect A1, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions		
KPI A1.1	The types of emissions and respective emissions data.	Disclosed
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed

1 GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" and the latest published Baseline Emission Factors for Regional Power Grids in China.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### A2. Use of Resources

#### *General Policy and KPI*

##### *Energy Consumption*

Due to the business nature of the Group, the volume of energy consumption, electricity consumption and water consumption are considered as relatively low, in particular water consumption is very minimal. As mentioned in the Aspect A1 section, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

During the year ended 31 December 2020, the Group's consumption in petrol and electricity were:

Energy Type	Quantity	Unit	Intensity — Unit per employee
Petrol	3,554	litre	50.06
Electricity	50,510	kWh	711.40

On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilize telephone or video conference to minimize face-to-face meeting in order to reduce petrol consumption in traveling and unnecessary business trips. The Group encourages resources saving in daily office operation and proactively fosters a low-carbon corporate culture, which further increases our employees' awareness in energy conservation.

##### *Water consumption and use of packaging materials*

During the year ended 31 December 2020, the Group does not consume significant water in its business activities. Regardless of limited water consumption, we still promote behavioral changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees for water conservation, which results in further enhancing our employees' awareness in water conservation.

In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

On top of complying with the general disclosure requirement of Aspect A2, we have complied with the KPI requirement which is summarised below:

<b>"Comply or explain" Provisions</b>		
KPI A2.1	Direct and/or indirect energy consumption by type and intensity.	Disclosed
KPI A2.2	Water consumption in total and intensity.	Disclosed
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed
KPI A2.4	Description on whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Issue in sourcing water — not applicable due to its business nature; Remaining — disclosed
KPI A2.5	Total packaging material used for finished products.	Not applicable

### A3. Environment and Natural Resources

#### **General Policy and KPI**

##### *Environmental impact management*

The Group pursues the best practices in the environment protection and focuses on the impact of the Group's businesses to the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

The Group strives to promote environmental protection and make effective use of resources. It carries out continuous monitoring if the business operations incur any potential impact to the environment, and minimises such impact to the environment through promoting green office and operating environment by adopting four basic principles which comprise of reduce, reuse, recycle and replacement. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

##### *Noise Pollution*

Noise pollution practices are implemented during our program production and event organisation activities, in order to minimise the noise pollution. Programs are produced in the studios with good soundproof facilities.

##### *Outdoor lightings*

During outdoor advertising production and event organisation, the lightings are adjusted to avoid disturbing neighborhood whenever possible.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### *Landscape and natural habitat*

The Group strives to minimise any unnecessary interference to the natural landscape and animal habitat in the process of advertising production and event organisation, in order to maintain the natural beauty of the environment.

The Group regularly reviews its environmental protection policies and has adopted the necessary precautionary measures and actions to reduce significant impact on the environment and natural resources, and ensure that the Group complies with relevant laws and regulations.

During the year ended 31 December 2020, the Group has not found any non-compliance with laws and regulations in respect of the environment and natural resources.

On top of complying with the general disclosure requirement of Aspect A3, we have complied with the KPI requirement which is summarized below:

#### **"Comply or explain" Provisions**

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed
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## **B. SOCIETY**

### **B1. Employment**

#### ***General disclosure***

##### *(a) Policy*

#### *Employee Benefits and Equal Opportunities Policies*

Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the year ended 31 December 2020, the Group has fully complied with the statutory requirements in Hong Kong, including the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance, as well as the statutory requirements in Singapore, including Employment Act (Chapter 91) of Singapore, Central Provident Fund Act, Employment of Foreign manpower Act (Chapter 91A) of Singapore.

The Group is committed to maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity, religion and equal opportunities.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group's staff handbook contains policies in regards to recruitment, promotion, discipline, working hours and leave. The human resources department has been responsible for ensuring all employees have fully understood the contents of the handbook.

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions.

### *(b) Compliance with Relevant Laws that have Significant Impact*

No employment laws and regulation in the areas in which the Group operates have significant direct impact on the Group. Nevertheless, the Group maintains a policy of strict compliance with all employment laws and regulations. The human resources department is responsible for this compliance through its recruitment process and ensures that all existing benefits, welfare and employment terms are in accordance with local laws and regulations

During the year ended 31 December 2020, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

## B2. Health and Safety

### ***General disclosure***

#### *(a) Policy*

##### *Occupational Health and Safety*

The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees.

#### *(b) Compliance with Relevant Laws that have Significant Impact*

During the year ended 31 December 2020, the Group has complied with the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance and Employees' Compensation Ordinance, as well as the legislative requirements in Singapore, including the Workplace Safety and health Act and Work Injury Compensation Act.

During the year ended 31 December 2020, the Group was not aware of any non-compliance with the health and safety laws and regulations.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### B3. Development and Training

#### ***General disclosure***

##### *Staff Development and Training*

Employees are regarded as the Group's largest and most valuable assets and an essential part of maintaining a competitive advantage. The Group provides its staff with training courses for upgrading skills and development as needed.

The Group encourages and supports employees to participate in personal and professional training to fulfill the needs of emerging technologies and new equipment. The Group also encourages the culture of sharing of knowledge and experience.

The Group has made good use of its internal resources to organise various forms of training for its offices in Hong Kong and Singapore, including management, customer service and financial knowledge with the assistance of the Hong Kong Office of General Services.

### B4. Labour Standards

#### ***General disclosure***

##### *(a) Policy*

The Group strictly prohibits employing any child labor or forced labor in its operations in Hong Kong and Singapore. The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labor or forced labor in operation.

In the meantime, the Group also avoids engaging vendors and contractors which are already known to be employing child labor or forced labor in their operations.

##### *(b) Compliance with Relevant Laws that have Significant Impact*

The Group has complied with the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong) under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Employment Act and the Employment (Children and Young Persons) Regulations of Singapore.

During the year ended 31 December 2020, the Group complied with all the laws and regulations relating to the prevention of child labor or forced labor. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### B5. Supply Chain Management

#### ***General disclosure***

##### *Environmental and Social Risk Management of Supply Chain*

The Group has established and implemented the Supplier Management Policy. In order to strengthen the selection of suppliers, the Group welcomes qualified, competent and high-quality suppliers to join. The Group's procurement department has specially formulated this policy in order to standardise the supplier management and improve the operational standard.

The Group's procurement department is also responsible for organising the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. The evaluation results will serve as the basis of supplier management. Suppliers need to react quickly to the assessment result, taking effective measures to improve the services provided within prescribed period. The Group has the rights to terminate the cooperation with service providers who violate the rules or do not meet the targets.

In the selection of new suppliers, the Group has compared at least three different companies, taking account of their operational and compliance records as well as their commitment level on top of cost consideration. Prior to conducting business with suppliers, we carry out annual reviews and evaluations in various aspects including occupational health and safety, employee rights protection, environmental protection and corporate social responsibility. This ensures that our operations comply with national standards or relevant regulations and that we have no child or forced labor issues. The assessment results will be used as a benchmark for the continuation or termination of cooperation in the future.

The Group maintains close liaison with its suppliers to monitor its performance to ensure that it is consistent with its service commitment.

### B6. Product Responsibility

#### ***General disclosure***

##### *(a) Policy*

##### *Quality and Safety of Products and Services*

The Group pays high attention to the quality and safety of its services. The Group has established relevant quality and safety inspection policies for different projects, communicates with our customers and confirms their project expectation and direction prior launching any project, and actively coordinates projects with customers in the process of providing services.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### Intellectual Property Management

The Group's day-to-day operations involve the use of the intellectual property owned by customers, suppliers or the Group itself. Therefore, the protection of intellectual property rights is an extremely important task for the Group. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms. The Group will also review all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project.

During the year ended 31 December 2020, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Hong Kong Intellectual Property Law and Intellectual Property Law of Singapore.

### Social Moral Standards

In order to ensure the compliance with the national regulations, the Group regularly checks the content of its advertising program production activities. The Group is committed to providing positive messages for the community. Content such as violence, pornography, hatred, superstition, gambling, etc. is strictly forbidden.

#### *(b) Compliance with Relevant Laws that have Significant Impact*

The Group has complied with the major relevant laws and regulations including the Administrative Measures on Internet Publishing Services circulated by the State Administration of Press, Publication, Radio, Film and Television and the Ministry of Industry and Information Technology, the Measures for the Administration of Internet Information Services of the People's Republic of China promulgated by the State Council, and the Interim Provisions on Internet Culture Management promulgated by the Ministry of Culture and so on.

During the year ended 31 December 2020, the Group was not aware of any non-compliance with relevant laws and regulations related to product responsibility.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### B7. Anti-Corruption

#### *General disclosure*

##### *(a) Policy*

###### *Prevention of Corruption and Fraud*

###### Preventive Measures, Enforcement and Monitoring

The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption and anti-bribery work so as to achieve the business philosophy of “abiding by the law, integrity and quality service”. For projects with higher monetary value, the Group makes an open bidding invitation to at least three suppliers. Different level of approval and authorisation is required according to the size of the tender agreement.

###### Reporting Mechanism

The mechanism includes the establishment of an inspection team and the establishment of a channel for evaluation and reporting. It is strictly forbidden to use the business opportunities or powers to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing within the Group voluntarily.

The Group has complied with major relevant laws and regulations including Prevention of Bribery Ordinance of Hong Kong and the Prevention of Corruption Act of Singapore.

The Group has also taken many measures to prevent any money laundering activities in the Group. At the time of account opening in its securities brokerage business, the Group will perform a name search in an antimoney laundering database system maintained and provided by a third party vendor, in order to screen each new client against current terrorist and sanction designations, and check whether the client is a Politically Exposed Person (PEP). New account applications lodged by terrorists or sanctioned entities would be rejected. Regular name checks of existing clients against the latest terrorist and sanction list issued by US Treasury Department, as recommended by the regulators, are also conducted. The Group performs regular reviews on transactions by high-risk clients, in order to identify suspicious transactions. In the event any suspicious transactions are noted, we will report them to the Joint Financial Intelligence Unit in due course.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### *(b) Compliance with Relevant Laws that have Significant Impact*

There is a mandatory disclosure of any conflict of interest. The Group encourages the highest standard of integrity in their employees and require compliance with the relevant national anti-bribery laws and regulations. Transactions involving large monetary sums are processed through banks which require authorized signatories as well as triggering due diligence. Internal control systems in the Group regarding money transactions are considered effective and adequate, with the report of the independent auditor offering no adverse comment on this aspect.

During the year ended 31 December 2020, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

## B8. Community Investment

### ***General disclosure***

#### *Contributions to Society*

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development.

The Group enhances the quality of life of community through arts, culture and entertainment using on demand systems and activities. Following the development of culture, the community can gain a deeper understanding of history and culture and cultivate higher appreciation of the present and future cultural activities and to a greater level of enjoyment.

The Group will also actively encourage employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

As a moral and responsible enterprise, the content of the advertising programmes and organized events are produced in accordance with the Group's policy of considering community interests and fully complied with the national regulations and rules, which further promotes positive news to the community and restricts any negative content, including as violence, pornography, hatred, superstition, gambling, to be broadcasted. The Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

# REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the Financial Year (the “Consolidated Financial Statements”).

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of the principal subsidiaries of the Company are set out in Note 25 to the Consolidated Financial Statements.

## SEGMENT INFORMATION

An analysis of the Group’s revenue and contribution to the loss from operations by principal activities and geographical area of operations for the year ended 31 December 2020 is set out in Note 7 to the Consolidated Financial Statements.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 and its future business development as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the “Management Discussion and Analysis” on pages 4 to 14 of this annual report. Description of the principal risks and uncertainties facing the Group are set out in the section headed “Risk and Uncertainties” below.

The Board has not identified any important events affecting the Group that have occurred since the end of the Financial Year up to the date of this annual report.

In addition, discussion on the Group’s environmental policies and performance, key relationships with the Group’s key stakeholders as well as compliance with relevant laws and regulations which have a significant impact on the Company are set out in the “Environmental, Social and Governance Report” on pages 34 to 48 of this annual report.

## RISK AND UNCERTAINTIES

The followings are the principal risks and uncertainties identified by the Group which may affect the Group’s financial condition, operating results and business prospects. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

### Economic risks

- A severe or prolonged downturn of the global economy.
- Fluctuations in foreign currency exchange rates, inflation and fluctuations of interest rates would adversely affect customers’ spending sentiment and the Group’s profit margin.

## REPORT OF THE DIRECTORS (CONTINUED)

### Operational risks

- Failure to compete in the competitive environment in which the Group operates;
- Unable to keep pace with the technological advances in timely and cost-efficient manner; and
- Failure to attract, train, retain, and motivate qualified managerial, sales, marketing, operating, and technical personnel, the loss of key personnel, or the inability to find additional qualified personnel.

### Regulatory risks

- Failure to adhere to laws, regulations and rules, or to obtain or maintain all applicable permits and approvals;
- Infringement of valid patents, copyrights or other intellectual property rights held by third parties; and
- Any change in laws and regulations in different customers' and suppliers' countries.

### Financial risks

- Details of financial risks are set out in Note 43 to the Consolidated Financial Statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Financial Year and the state of affairs of the Group as at 31 December 2020 are set out in the Consolidated Financial Statements on pages 67 to 70.

## DIVIDEND POLICY

The Company adopted a dividend policy ("Dividend Policy") in March 2019, pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash, in the form of shares or by way of distribution of specific assets of any kind, upon the recommendation of the Board. Any distribution of dividends shall be in accordance with the Articles and subject to the relevant laws of the Cayman Islands.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. When deciding whether to propose a dividend payout, the Board will take into account, among other things, the financial results, the earnings, the operations and liquidity requirements, the capital requirements, the current and future development plans of the Group, the debt ratio, the interests of the Shareholders, and general economic conditions.

## REPORT OF THE DIRECTORS (CONTINUED)

The Dividend Policy will be reviewed from time to time by the Board and revisions may be made to ensure its effectiveness as and when necessary. The Company does not have any pre-determined dividend distribution ratio and there is no assurance that a dividend will be proposed or declared in any specific periods.

The Directors do not recommend the payment of final dividend for the Financial Year (2019: Nil).

### FIVE YEARS FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 3. This summary does not form part of the Consolidated Financial Statements.

### CAPITAL REORGANISATION

On 7 April 2020, the Company announced its proposal to implement a capital reorganisation (the “Capital Reorganisation”) involving (i) the consolidation of every twenty ordinary shares of HK\$0.10 each into one ordinary share of HK\$2.00 each (the “Consolidated Shares”) in the issued and unissued share capital of the Company (the “Share Consolidation”); and (ii) the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$1.99 on each of the then issued Consolidated Shares so that the par value of each share be reduced from HK\$2.00 to HK\$0.01 (the “Capital Reduction”); and immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value HK\$2.00 each be sub-divided into two hundred ordinary shares of par value of HK\$0.01 each (the “Share Sub-division”). An ordinary resolution regarding the Share Consolidation and a special resolution regarding the Capital Reduction and the Share Sub-division were passed by the shareholders of the Company on 3 June 2020 respectively. The Share Consolidation became effective on 5 June 2020. The petition hearing for confirmation of the Capital Reduction was held on 10 September 2020 in the Cayman Islands. The Capital Reduction and the Share Sub-division became effective on 14 September 2020 after all the other conditions precedent for their implementation had been fulfilled.

### CAPITAL RAISING

On 27 January 2021, the Company announced its proposal for a rights issue (the “Rights Issue”) of four rights shares for every one existing share held by qualifying Shareholders at HK\$0.142 per rights share to issue a total of 229,418,448 rights shares and to raise a gross proceeds of approximately HK\$32.58 million. The net proceeds from the Rights Issue are intended to be used as to (i) approximately HK\$25 million for the expansion of the Group’s margin financing business; and (ii) approximately HK\$5.04 million for general working capital of the Group. However, the ordinary resolution regarding the Rights Issue and transactions contemplated thereunder was not passed by the independent shareholders of the Company at the extraordinary general meeting held on 22 March 2021. Details of the Rights Issue are disclosed in the Company’s announcements dated 27 January 2021, 26 February 2021, 22 March 2021 and its circular dated 1 March 2021 respectively.

The Company will continue to explore other fund raising alternatives to finance its business needs.

## REPORT OF THE DIRECTORS (CONTINUED)

### SHARE CAPITAL

Details of movements in share capital of the Company during the Financial Year are set out in Note 35 to the Consolidated Financial Statements.

### RESERVES

Details of movements in reserves of the Group and the Company during the Financial Year are set out in the consolidated statement of changes in equity and in Note 46 to the Consolidated Financial Statements respectively.

### DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$178,687,000 (2019: HK\$116,482,000).

### MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 29% of the total sales for the Financial Year and sales to the largest customer included therein amounted to approximately 10%. Purchases from the Group's five largest suppliers accounted for approximately 37% of the total purchases for the Financial Year and purchases from the largest supplier included therein amounted to approximately 11%.

To the best knowledge of the Directors, neither the Directors, their close associates, nor any Shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the Financial Year.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 19 to the Consolidated Financial Statements.

### BORROWING

As at 31 December 2020, the Group did not have any charges on its assets (2019: Nil).

## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS

The Directors who hold office during the Financial Year and up to the date of this report are:

*Executive Directors:*

Mr. GAO Ran (*Chairman*) (appointed on 4 December 2020)

Mr. AN Xilei (*Deputy Chairman*) (*Note*)

Mr. WONG Hong Gay Patrick Jonathan (*CEO*)

Mr. MOCK Wai Yin

Mr. WANG Jun (resigned on 10 March 2021)

*Independent Non-executive Directors:*

Mr. CHAN Chi Keung Alan

Mr. LEE Chi Hwa Joshua

Ms. LAU Mei Ying

*Note:* Mr. An Xilei ceased to act as the Chairman of the Board but was appointed as the Deputy Chairman of the Board, both with effect from 4 December 2020.

In accordance with Article 83(3) of the Articles, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting. Accordingly, Mr. Gao Ran shall retire from office at the forthcoming annual general meeting and, being eligible, offer himself for re-election pursuant to Article 83(3) of the Articles.

In accordance with Article 84 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that each Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Wong Hong Gay Patrick Jonathan, Mr. An Xilei and Ms. Lau Mei Ying shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election pursuant to Article 84 of the Articles.

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

The Company has received annual confirmation of independence from each of its existing Independent Non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all of them are considered to be independent.

### PERMITTED INDEMNITY PROVISIONS

The Company has put in place appropriate insurance cover in respect of Directors' liability.

## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS' SERVICE CONTRACTS

Each of the following executive Directors has entered into a service contract or letter of appointment with the Company. Mr. Gao Ran has entered into a letter of appointment with the Company terminable by not less than three months' notice in writing served by either party on the other. Mr. An Xilei has entered into a service contract with the Company terminable by either party giving not less than three months' notice in writing served by either party on the other. Mr. Wong Hong Gay Patrick Jonathan has entered into a service contract with the Company for an initial fixed term of one year and shall continue thereafter until terminated by not less than six months' notice in writing served by either party on the other. Mr. Mock Wai Yin has entered into a letter of appointment with the Company terminable by not less than three months' notice in writing served by either party on the other. Each of the following Independent Non-executive Directors has entered into a service contract or letter of appointment with the Company. Mr. Chan Chi Keung Alan has entered into a service contract with the Company for a term of one year renewable automatically for successive terms of one year until terminated by not less than one month's notice in writing served by either party on the other. Each of Mr. Lee Chi Hwa Joshua and Ms. Lau Mei Ying has entered into a letter of appointment with the Company terminable by not less than three months' notice in writing served by either party on the other, subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Articles. All Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings in accordance with the provisions of the Articles.

No Director has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as aforesaid, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the year or at any time during the year.

### UPDATE OF DIRECTORS' INFORMATION

Save as disclosed elsewhere in this annual report, changes in information of Directors since the publication of the Company's interim report 2020 were as below pursuant to Rule 17.50A(1) of the GEM Listing Rules:

Mr. Lee Chi Hwa Joshua, an Independent Non-executive Director, ceased to be an independent non-executive director of China Fortune Investments (Holding) Limited (stock code: 8116) with effect from 29 March 2021.

Notwithstanding any provisions in their service contract or letter of appointment with the Company, in view of the adversity caused by the outbreak of the COVID-19 pandemic during the Financial Year, the following Executive Directors, namely Mr. An Xilei and Mr. Wang Jun (resigned on 10 March 2021), have agreed to suspend their salaries starting from January 2020 until agreed and confirmed otherwise by the parties concerned; while all Independent Non-executive Directors have agreed to adjust their monthly director's fee from HK\$20,000 to HK\$10,000 with effect from 1 March 2020 on a temporary basis, until agreed and confirmed otherwise by the parties concerned. For details of emoluments of Directors for the Financial Year, please refer to Note 16 to the Consolidated Financial Statements.



## REPORT OF THE DIRECTORS (CONTINUED)

### **DIRECTORS' BIOGRAPHY**

The biographical details of the Directors are disclosed in the section headed "Directors' Profile" on pages 15 to 18 of this annual report. The Executive Directors are regarded as members of the Group's senior management.

### **EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS**

The remuneration committee of the Company is responsible for making recommendations to the Board on the Company's emolument policy as and when necessary. Directors' emoluments are determined by the Board with reference to factors including director's duties and responsibilities, the Company's remuneration policy and the prevailing market rate.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 16 and 15 to the Consolidated Financial Statements respectively.

### **ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the section headed "Share Option Schemes" below, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### **MANAGEMENT CONTRACTS**

As at 31 December 2020, the Company did not enter into or have any management and administrative contracts in respect of the whole or any principal business of the Company.

### **CONNECTED TRANSACTIONS**

During the Financial Year, the Company had not entered into any connected transaction (including continuing connected transaction) which is subject to the disclosure requirements under the GEM Listing Rules.

### **RELATED PARTY TRANSACTIONS**

Details of the related party transactions of the Group during the Financial Year are disclosed in Note 41 to the Consolidated Financial Statements. Such transactions are exempt from the reporting requirement in accordance with Chapter 20 of the GEM Listing Rules in respect of connected transactions or continuing connected transactions.

## REPORT OF THE DIRECTORS (CONTINUED)

### SHARE OPTION SCHEMES

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”) on 26 March 2011. The principal terms of the aforementioned share option schemes of the Company were summarised in the sections headed “Pre-IPO Share Option Scheme” and “Share Option Scheme” in Appendix V to the prospectus of the Company dated 30 June 2011.

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution made by certain then Executive Directors and employees of the Group and to aid the Company in retaining key and senior employees who have assisted in the development and growth of the Group and for their contribution in connection with the Listing thereat; whilst the purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentive or rewards for their contribution or future contribution to the Group.

#### Pre-IPO Share Option Scheme

During the year of 2011, options to subscribe for a total of 12,300,000 shares at the exercise price of HK\$0.72 per share were granted under the Pre-IPO Share Option Scheme. Adjustments were made to the outstanding options granted under the Pre-IPO Share Option Scheme as a result of the rights issue completed in May 2016, the share consolidation completed in November 2016 and the rights issue completed in September 2017. As at 1 January 2020, there were outstanding and unexercised options under the Pre-IPO Share Option Scheme which entitled holders thereof to subscribe for 513,769 shares of the Company at the exercise price of HK\$2.758 per share. As a result of the share consolidation which became effective on 5 June 2020, the number of shares entitled to be subscribed for under such outstanding options has been adjusted to 25,688 at the exercise price of HK\$55.160 per share in accordance with the terms and conditions of the Pre-IPO Share Option Scheme. Save for the above adjustments to the share options, no options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme during the Financial Year. As at 31 December 2020, the number of shares comprised in the outstanding and unexercised options under the Pre-IPO Share Option Scheme remained as 25,688 at the exercise price of HK\$55.160 per share.

#### Share Option Scheme

During the year of 2011, options to subscribe for 11,640,000 shares at the exercise price of HK\$0.724 per share were granted under the Share Option Scheme. Adjustments were made to the outstanding options granted under the Share Option Scheme as a result of the rights issue completed in May 2016, the share consolidation completed in November 2016 and the rights issue completed in September 2017. As at 1 January 2020, there were outstanding and unexercised options under the Share Option Scheme which entitled holders thereof to subscribe for 376,968 shares of the Company at the exercise price of HK\$2.777 per share. As a result of the share consolidation which became effective on 5 June 2020, the number of shares entitled to be subscribed for under such outstanding options has been adjusted to 18,848 at the exercise price of HK\$55.540 per share in accordance with the terms and conditions of the Share Option Scheme. Save for the above adjustments to the share options, no options have been granted, exercised, cancelled or lapsed under the Share Option Scheme during the Financial Year. As at 31 December 2020, the number of shares comprised in the outstanding and unexercised options under the Share Option Scheme remained as 18,848 at the exercise price of HK\$55.540 per share.

## REPORT OF THE DIRECTORS (CONTINUED)

A summary of the movements of the share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme during the year under review is as follows:

Grantees	Date of grant	Vesting period	Exercise period	Exercise price at 1 January 2020	Exercise price at 31 December 2020	Outstanding at 1 January 2020	Number of share options			Outstanding at 31 December 2020	Market value per share immediately before the date of grant of option	Approximate % of the Company's total issued share capital as at 31 December 2020
							Granted during the Year	Exercised during the Year	Cancelled/lapsed during the Year			
Directors												
Mr. Wong Hong Gay Patrick Jonathan	20 Dec 11	Note 1	20 Dec 11 – 19 Dec 21	HK\$2.777	HK\$55.540 (adjusted)	85,627	-	-	-	4,281 (adjusted)	HK\$0.72	0.01%
Mr. Chan Chi Keung Alan	20 Dec 11	Note 1	20 Dec 11 – 19 Dec 21	HK\$2.777	HK\$55.540 (adjusted)	85,627	-	-	-	4,281 (adjusted)	HK\$0.72	0.01%
Employees												
	20 Dec 11	Note 1	20 Dec 11 – 19 Dec 21	HK\$2.777	HK\$55.540 (adjusted)	205,714	-	-	-	10,286 (adjusted)	HK\$0.72	0.02%
	30 Jun 11	Note 2	28 Jul 11 – 27 Jul 21	HK\$2.758	HK\$55.160 (adjusted)	513,769	-	-	-	25,688 (adjusted)	N/A	0.04%
Total						890,737	-	-	-	44,536 (adjusted)		

Additional particulars of the Company's Pre-IPO Share Option Scheme and Share Option Scheme are set out in Note 36 to the Consolidated Financial Statements.

### Notes:

- The options granted under Share Option Scheme shall vest in the relevant option holders in tranches in the following manner:
  - 33% of the option shall vest after first twelve months after date of acceptance
  - 33% of the option shall vest after twenty four months after date of acceptance
  - 34% of the option shall vest after thirty six months after date of acceptance
- The options granted under the Pre-IPO Share Option Scheme shall vest in the relevant option holders in tranches in the following manner:
  - 50% of the option shall vest on 28 January 2012
  - 8% of the option shall vest on 28 February 2012
  - 8% of the option shall vest on 28 March 2012
  - 8% of the option shall vest on 28 April 2012
  - 8% of the option shall vest on 28 May 2012
  - 8% of the option shall vest on 28 June 2012
  - 10% of the option shall vest on 28 July 2012
- For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 57,354,612 shares in issue as at 31 December 2020.

## REPORT OF THE DIRECTORS (CONTINUED)

Apart from the aforesaid share option schemes, at no time during the Financial Year was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

Save as disclosed below, as at 31 December 2020, no Directors or chief executive of the Company had or was deemed to have interests or short positions in 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the required standard of dealings by the Directors:

#### Long positions in the ordinary shares of HK\$0.01 each in the Company (the "Shares"), underlying Shares and debentures of the Company

Name of Directors	Nature of interests	Number of Shares held	Number of underlying shares held (Note 1)	Total	Approximate % of shareholding in the Company (Note 4)
Mr. An Xilei	Interest of controlled corporation (Note 2)	17,000,000	–	17,000,000	29.64%
Mr. Wong Hong Gay Patrick Jonathan	Interest of controlled corporation (Note 3) Beneficial owner	3,453,990	4,281	3,453,990 4,281	6.02% 0.01%
Mr. Chan Chi Keung Alan	Beneficial owner	–	4,281	4,281	0.01%

Notes:

1. Being personal interests attributable to interests in the share options granted by the Company pursuant to the Share Option Scheme adopted on 26 March 2011.
2. These Shares are directly held by Profit Cosmo Group Limited ("PCG"), which is owned as to 40% by Mr. An Xilei ("Mr. An"). Mr. An is therefore deemed to be interested in these Shares by virtue of the SFO.
3. These Shares are directly held by iMediaHouse Asia Limited ("iMHA"), which is owned as to approximately 67.09% by iMediaHouse.com Limited which is in turn wholly owned by Mr. Wong Hong Gay Patrick Jonathan ("Mr. Wong"). The remaining interest in iMHA is held by entities ultimately wholly owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in these Shares by virtue of the SFO.
4. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 57,354,612 Shares in issue as at 31 December 2020.

## REPORT OF THE DIRECTORS (CONTINUED)

Save that (i) Mr. An is a director of PCG; and (ii) Mr. Wong is a director of iMHA and iMediaHouse.com Limited, as at 31 December 2020, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

Save as disclosed below, as at 31 December 2020, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies (other than a Director or a chief executive of the Company) had an interest or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

#### Long positions in the Shares and underlying Shares

Name of Shareholders	Nature of interests	Number of Shares held	Approximate % of shareholding in the Company (Note 3)
PCG (Note 1)	Beneficial owner	17,000,000	29.64%
Mr. Liu Yanhong (Note 1)	Interest of controlled corporation	17,000,000	29.64%
iMHA (Note 2)	Beneficial owner	3,453,990	6.02%
iMediaHouse.com Limited (Note 2)	Interest of controlled corporation	3,453,990	6.02%

#### Notes:

1. These Shares are directly held by PCG which is owned as to 60% by Mr. Liu Yanhong ("Mr. Liu"). Mr. Liu is therefore deemed to be interested in these Shares by virtue of the SFO. The remaining 40% interest in PCG is held by Mr. An, whose interests are disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above.
2. These Shares are directly held by iMHA which is owned as to approximately 67.09% by iMediaHouse.com Limited which is in turn wholly owned by Mr. Wong. The remaining interest in iMHA is held by entities ultimately wholly owned by Mr. Wong. iMediaHouse.com Limited and Mr. Wong are therefore deemed to be interested in these Shares by virtue of the SFO.
3. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 57,354,612 Shares in issue as at 31 December 2020.

## REPORT OF THE DIRECTORS (CONTINUED)

### COMPETITION AND CONFLICT OF INTERESTS

During the year, none of the Directors, the management or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group, as defined in the GEM Listing Rules.

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

During the year, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

### PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules during the year up to the date of this report.

### CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained in this annual report.

### CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from 6 May 2021 (Thursday) to 11 May 2021 (Tuesday), both days inclusive, during which period no transfer of shares in the Company shall be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5 May 2021 (Wednesday).

## REPORT OF THE DIRECTORS (CONTINUED)

### AUDITOR

The Company's financial statements for the years ended 31 December 2018 and 2019 were audited by Zenith CPA Limited ("Zenith").

Zenith resigned as the auditor of the Company with effect from 22 December 2020 as no consensus can be reached on the audit fee of the Company for the financial year ended 31 December 2020, and Yongtuo Fuson CPA Limited was appointed by the Directors as the new auditor of the Company with effect from 22 December 2020 to fill the casual vacancy following the resignation of Zenith.

The Company's financial statements for the year ended 31 December 2020 were audited by Yongtuo Fuson CPA Limited.

A resolution for re-appointment of Yongtuo Fuson CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

**Cornerstone Financial Holdings Limited**

Gao Ran

*Chairman and Executive Director*

Hong Kong, 29 March 2021



# INDEPENDENT AUDITOR'S REPORT



永拓富信會計師事務所有限公司  
YONGTUO FUSON CPA LIMITED

**To the shareholders of Cornerstone Financial Holdings Limited**

基石金融控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

## Opinion

We have audited the consolidated financial statements of Cornerstone Financial Holdings Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 67 to 164, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## Basis for Opinion

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

## Key Audit Matters

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



# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
<p><b>Impairment assessment of property, plant and equipment and right-of-use assets</b></p> <p>As at 31 December 2020, the carrying amounts of the Group's property, plant and equipment and right-of-use assets were HK\$3,037,986 and HK\$25,551,466, respectively, which accounted for around 11% to the total assets of the Group as at 31 December 2020 that are mainly related to the assets arising from the Group's advertising and media activities.</p> <p>The management of the Group has performed impairment assessment on the property, plant and equipment and right-of-use assets at end of the reporting period. When indication of possible impairment has been identified, recoverable amount is determined based on the higher of fair value less cost of disposal or value-in-use calculation of each cash-generating unit, in which the property, plant and equipment and right-of-use assets were allocated to.</p> <p>We have identified the impairment assessment on property, plant and equipment and right-of-use assets as a key audit matter because of their significance to the consolidated financial statements as a whole and the involvement of a significant degree of judgements and estimates made by the management of the Group when performing impairment assessment.</p>	<p>Our audit procedures in relation to the impairment of property, plant and equipment and right-of-use assets included:</p> <ul style="list-style-type: none"><li>• We have reviewed the management's judgements and estimates used in determining the indication of possible impairment and its impairment testing on the property, plant and equipment and right-of-use assets.</li><li>• We have discussed and reviewed the impairment assessment prepared by the management of the Group, including the identification of possible impairment. For the impairment testing, we have reviewed the underlying data and assumptions used in the calculation of fair value less cost of disposal or value-in-use of the respective cash-generating unit as recoverable amount, including the future revenue growth rates and future operating costs for the following years and pre-tax discount rates. We have compared those underlying data and assumptions used to the historical data and other available market sources.</li></ul>
<p><b>Impairment assessment of margin loans receivable</b></p> <p>As at 31 December 2020, the Group had margin loans receivable of HK\$114,514,399 which accounted for around 46% to the total assets of the Group as at 31 December 2020 that are mainly related to the Group's financial services activities.</p> <p>The impairment assessments are dependent upon management's significant judgements and high level of estimation uncertainty, which includes making key assumptions and selecting inputs, including probabilities of default rates, expected recovery rates from loss given default, forward-looking information and macroeconomic environment.</p> <p>We have identified the determination of impairment assessment of margin loans receivable as a key audit matter because the estimation of ECL is based on a significant degree of management judgement and estimation and may be subject to management bias.</p>	<p>Our audit procedures in relation to the impairment for margin loans receivable included:</p> <ul style="list-style-type: none"><li>• We have inquired the management to understand the approach applied on ECL model of margin loans receivable.</li><li>• We have reviewed the judgement and estimates used by the management in the impairment assessments process and challenged the reasonableness of the key assumptions and inputs apply on the ECL model, including probability of default, expected recovery rates from loss given default, forward-looking information and macroeconomic environment.</li><li>• We have performed recalculation based on the above key assumptions and input data to ensure the accuracy of the ECL amount of margin loans receivable.</li></ul>



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2020.

### Other Information

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

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

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

### Responsibilities of Directors of the Company and Audit Committee for the Consolidated Financial Statements

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

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

Audit committee are responsible for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Yan Fai.

#### **Yongtuo Fuson CPA Limited**

*Certified Public Accountants*

#### **Lee Yan Fai**

Practising Certificate Number P06078

Hong Kong, 29 March 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK\$	2019 HK\$
<b>Continuing operations</b>			
Revenue	6	50,973,229	92,039,627
Cost of services		(18,502,449)	(36,059,286)
<hr/>			
Gross profit		32,470,780	55,980,341
Other income	8	7,637,217	3,002,542
Other gains and losses	9	(6,162,762)	4,011,761
(Impairment losses) reversal of impairment losses recognised	11	(28,518,085)	233,066
Administrative expenses		(61,816,394)	(75,227,461)
Loss on disposal of a subsidiary	40	–	(1,351,373)
Finance costs	10	(1,230,547)	(2,287,414)
Share of results of an associate		–	(40,036)
<hr/>			
<b>Loss before tax</b>		(57,619,791)	(15,678,574)
Income tax expenses	12	(1,578,470)	(1,393,034)
<hr/>			
<b>Loss for the year from continuing operations</b>	14	(59,198,261)	(17,071,608)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation	13	–	(188,501)
<hr/>			
<b>Loss for the year</b>		(59,198,261)	(17,260,109)
<hr/>			
<b>Other comprehensive (expenses)/income for the year:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating of foreign operations		(35,045)	237,761
<hr/>			
<b>Other comprehensive (expenses)/income for the year, net of tax</b>		(35,045)	237,761
<hr/>			
<b>Total comprehensive expenses for the year</b>		(59,233,306)	(17,022,348)
<hr/>			
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		(58,082,647)	(18,107,764)
Non-controlling interests		(1,115,614)	847,655
<hr/>			
		(59,198,261)	(17,260,109)
<hr/>			

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK\$	2019 HK\$
<b>Total comprehensive (expenses) income for the year attributable to:</b>			
Owners of the Company		<b>(58,119,309)</b>	(17,870,044)
Non-controlling interests		<b>(1,113,997)</b>	847,696
		<b>(59,233,306)</b>	(17,022,348)
<b>Loss per share</b>			(Restated)
Basic and diluted ( <i>HK cents</i> )	18		
– From continuing and discontinued operations		<b>(101.27)</b>	(31.57)
– From continuing operations		<b>(101.27)</b>	(31.34)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Notes	2020 HK\$	2019 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	19	3,037,986	6,163,388
Right-of-use assets	20	25,551,466	36,575,009
Intangible assets	21	–	–
Film deposits and rights	22	–	–
Deposits, prepayments and other receivables	27	1,671,306	1,728,686
Interest in an associate	23	–	87,673
Pledged bank deposits	30	364,233	359,882
Goodwill	24	2,780,482	2,780,482
		<b>33,405,473</b>	47,695,120
<b>Current assets</b>			
Margin loans receivable	26	114,514,399	162,189,933
Trade and other receivables	27	13,649,953	33,605,921
Equity investments at fair value through profit or loss	28	686,400	7,069,920
Cash held on behalf of brokerage clients	29	5,640,062	8,937,966
Cash and cash equivalents	30	83,173,600	60,901,172
		<b>217,664,414</b>	272,704,912
<b>Current liabilities</b>			
Trade and other payables	31	19,365,711	21,037,599
Accounts payable to brokerage clients	32	5,640,062	14,184,860
Lease liabilities	20	11,915,045	14,691,868
Contract liabilities	33	3,527,080	1,722,968
Income tax payable		134,779	2,434,913
		<b>40,582,677</b>	54,072,208
<b>Net current assets</b>		<b>177,081,737</b>	218,632,704
<b>Total assets less current liabilities</b>		<b>210,487,210</b>	266,327,824

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2020

	Notes	2020 HK\$	2019 HK\$
<b>Non-current liabilities</b>			
Lease liabilities	20	25,490,634	22,097,942
		<b>25,490,634</b>	22,097,942
<b>NET ASSETS</b>		<b>184,996,576</b>	244,229,882
<b>Capital and reserves</b>			
Share capital	35	573,546	114,709,224
Reserves		167,328,474	111,312,105
Shareholders' equity		167,902,020	226,021,329
Non-controlling interests	38	17,094,556	18,208,553
<b>TOTAL EQUITY</b>		<b>184,996,576</b>	244,229,882

The consolidated financial statements on pages 67 to 164 were approved and authorized for issue by the board of directors on 29 March 2021 and are signed on its behalf by:

**Gao Ran**  
Director

**An Xilei**  
Director



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company							Non-controlling interests (Note 38) HK\$	Total equity HK\$
	Share capital	Share premium*	Capital reserve*	Exchange reserve*	Share option reserve*	Accumulated losses*	Sub-total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1 January 2019	114,709,224	552,932,232	(176,467,450)	(1,512,963)	2,020,536	(247,790,206)	243,891,373	15,762,063	259,653,436
(Loss)/profit for the year	-	-	-	-	-	(18,107,764)	(18,107,764)	847,655	(17,260,109)
Other comprehensive income for the year:									
Exchange difference arising on translating of foreign operations	-	-	-	237,720	-	-	237,720	41	237,761
Total comprehensive (expenses)/income for the year	-	-	-	237,720	-	(18,107,764)	(17,870,044)	847,696	(17,022,348)
Disposal of subsidiaries (Note 40)	-	-	-	-	-	-	-	1,598,794	1,598,794
<b>At 31 December 2019 and 1 January 2020</b>	<b>114,709,224</b>	<b>552,932,232</b>	<b>(176,467,450)</b>	<b>(1,275,243)</b>	<b>2,020,536</b>	<b>(265,897,970)</b>	<b>226,021,329</b>	<b>18,208,553</b>	<b>244,229,882</b>
Loss for the year	-	-	-	-	-	(58,082,647)	(58,082,647)	(1,115,614)	(59,198,261)
<b>Other comprehensive income (expenses) for the year:</b>									
Exchange difference arising on translating of foreign operations	-	-	-	(36,662)	-	-	(36,662)	1,617	(35,045)
<b>Total comprehensive expenses for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,662)</b>	<b>-</b>	<b>(58,082,647)</b>	<b>(58,119,309)</b>	<b>(1,113,997)</b>	<b>(59,233,306)</b>
Capital reduction (Note 35)	(114,135,678)	-	-	-	-	114,135,678	-	-	-
<b>At 31 December 2020</b>	<b>573,546</b>	<b>552,932,232</b>	<b>(176,467,450)</b>	<b>(1,311,905)</b>	<b>2,020,536</b>	<b>(209,844,939)</b>	<b>167,902,020</b>	<b>17,094,556</b>	<b>184,996,576</b>

\* These amounts comprise the consolidated reserves of HK\$167,328,474 (2019: HK\$111,312,105) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK\$	2019 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before tax from:</b>		
– Continuing operations	(57,619,791)	(15,678,574)
– Discontinued operation	–	(188,501)
<b>Adjustments for:</b>		
Interest income	(442,760)	(1,528,233)
Dividend income	–	(6,109)
Finance costs	1,230,547	2,296,172
Depreciation of property, plant and equipment	3,694,920	4,029,841
Depreciation of right-of-use assets	16,060,202	10,847,383
Amortisation of intangible assets	–	35,750
Loss (gain) on disposal of property, plant and equipment	1,267	(335,000)
Gain on disposal of equity investments at fair value through profit or loss	–	(244,761)
Gain on termination of lease contracts	(81,497)	–
Rent concession	(3,863,237)	–
Loss on disposal of a subsidiary (note 40)	–	1,351,373
Impairment on interest in an associate (note 23)	87,673	–
Fair value loss (gain) of equity investments at fair value through profit or loss	6,383,520	(3,432,000)
Share of results of an associate	–	40,036
Impairment loss of margin loans receivable	14,345,778	–
Reversal of impairment loss of trade receivables	(109,618)	(333,006)
Impairment loss of other receivables	–	100,000
Impairment loss of property, plant and equipment	2,816,032	–
Impairment loss of right-of-use assets	11,378,220	–
<b>Operating loss before working capital changes</b>	<b>(6,118,744)</b>	<b>(3,045,629)</b>
Decrease in trade and other receivables	20,122,965	13,634,675
Decrease in margin loans receivable	33,329,756	2,813,141
Decrease in cash held on behalf of brokerage clients	3,297,904	2,408,977
Decrease in trade and other payables	(1,671,888)	(23,636,409)
(Decrease) increase in accounts payable to brokerage clients	(8,544,798)	2,838,580
Increase (decrease) in contract liabilities	1,804,112	(2,306,411)
<b>Cash generated from (used in) operations</b>	<b>42,219,307</b>	<b>(7,293,076)</b>
Interest paid	–	(16,000)
Income tax paid	(3,879,059)	–
<b>Net cash generated from (used in) operating activities</b>	<b>38,340,248</b>	<b>(7,309,076)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK\$	2019 HK\$
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of a subsidiary	–	(9)
Dividend received from listed investments	–	6,109
Interest received	442,760	288,808
Pledged bank deposits	–	575,000
Purchases of property, plant and equipment	(3,249,794)	(2,119,360)
Proceeds from disposal of equity investments at fair value through profit or loss	–	1,112,861
Proceeds from disposals of property, plant and equipment	–	335,000
<b>Net cash (used in) generated from investing activities</b>	<b>(2,807,034)</b>	198,409
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liabilities	(13,225,743)	(11,523,881)
Loan advanced from a director	–	16,000
<b>Net cash used in financing activities</b>	<b>(13,225,743)</b>	(11,507,881)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>22,307,471</b>	(18,618,548)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>60,901,172</b>	79,281,959
Effect of foreign exchange rate changes, net	(35,043)	237,761
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>83,173,600</b>	60,901,172
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS, represented by:</b>		
Bank and cash balances	83,537,833	61,261,054
Less: Pledged bank deposits	(364,233)	(359,882)
<b>Cash and cash equivalents as stated in the statement of cash flows</b>	<b>83,173,600</b>	60,901,172

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 1. GENERAL INFORMATION

Cornerstone Financial Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Room 802, 8th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong.

During the year, the Group was involved in the following principal activities (i) financial services including securities dealings and brokerage services and margin financing services, (ii) provision of advertising and media services, (iii) film development, production and distribution, and (iv) retail of skin care products (ceased business during the year ended 31 December 2019) and (v) provision of early childhood education (disposed during the year ended 31 December 2019).

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 25 to the consolidated financial statements.

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

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions, which is effective for annual periods beginning on or after 1 June 2020.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

### Impacts on the application of Amendments to References to the Conceptual Framework in HKFRSs

Conceptual Framework for Financial Reporting 2018 (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard.

The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

### Impacts on the application of Amendments to HKAS 1 and HKAS 8, Definition of Material

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

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

### Impacts on the application of Amendments to HKFRS 3, Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

### Impacts on the application of Amendments to HKFRS 3, Definition of a Business (Continued)

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

### Impacts on the application of Amendments to HKFRS 7, HKFRS 9 and HKAS 39, Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group as the Group does not have any interest rate hedge relationships.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

### Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions (Continued)

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

The application of the amendment had no impact to the opening retained profits at 1 January 2020. During the current year, the Group recognised the COVID-19-related rent concessions amounted to HK\$3,863,237 in the profit or loss. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK\$3,863,237, which has been recognised as variable lease payments in profit or loss for the current year.

### New and amendments to HKFRSs issued but not yet effective

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

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

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

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

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

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

The directors of the Company anticipate that, the application of all these new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. BASIS OF PREPARATION

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

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

Historical cost is generally based on the fair value of the consideration given in exchange 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, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the 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.

### (b) Business combinations or asset acquisitions

#### ***Asset acquisitions***

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Business combinations or asset acquisitions (Continued)

#### ***Business combinations***

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Goodwill

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

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

### (d) Investment in an associate

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Investment in an associate (Continued)

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

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### (e) Revenue from contracts with customers

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

- a) Revenue from advertising and media services are recognised over the scheduled period on a straight-line basis over the broadcast period.
- b) Brokerage commission income is recognised at the point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed. Fee income is recognised when the transaction is executed and service is completed, except for custodian service fee which is recognised over time. Revenue for placing and underwriting is recognised when the relevant placing or underwriting activities are completed. Accordingly, the revenue is recognised at a point in time.
- c) Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.
- d) Revenue from nursely and other services was recognised when satisfied a performance obligation at a point of time or over time.

#### ***Other income***

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### ***Contract assets and contract liabilities***

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

### (f) Leases

#### ***Definition of a lease***

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

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

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

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Leases (Continued)

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

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

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

##### Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Leases (Continued)

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

##### Refundable rental deposits

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

##### Lease liabilities

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

The lease payments included:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Leases (Continued)

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

##### Lease liabilities (Continued)

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

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

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

##### Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Leases (Continued)

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

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

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

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

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

### (g) 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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) 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 that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Borrowing costs

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

### (i) Government grants

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

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

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

### (j) Employee benefits

#### Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Pursuant to the relevant local regulations in Singapore, the Singapore subsidiaries of the Group are required to contribute to the Central Provident Fund based on the statutory funding requirement. The Group's contributions to the defined contribution plan are charged to profit or loss in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

#### Short-term and 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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) 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 profit/(loss) before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference 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 goodwill or from the initial recognition (other than in a business combination) of other 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 and associates, except where the 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of 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 rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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 by the same taxable entity by the same taxation authority.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Taxation (Continued)

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### (l) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment 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.

### (m) Film deposits and rights

Film deposits and rights are stated at cost less accumulated amortisation and accumulated impairment losses. The cost of film deposits and rights are amortised over their estimated useful lives upon release of the film. Film deposits and rights for films not ready for release are not subject to amortisation and are tested annually for impairment.

Impairment is assessed annually or when there is indication of impairment whether film deposits and rights are impaired. The carrying amount of film deposits and rights is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Intangible assets

#### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### Intellectual properties and licences

Separately acquired rights to use intellectual properties and licences are shown at historical cost. Rights to use intellectual properties and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of rights to use intellectual properties and licences over their estimated useful lives of 5 and 10 years, respectively.

### (o) Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

### (p) Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

#### (r) 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 margin loans receivable and 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 (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Financial Instruments (Continued)

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

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

#### ***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.

A financial asset is held for trading if:

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

##### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Financial Instruments (Continued)

#### *Financial assets (Continued)*

##### *Financial assets at FVTPL*

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

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

##### *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets including trade receivables, margin loans receivable and other receivables 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 the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for margin loans receivable and trade receivables without significant financing component.

For all other instruments, the 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 the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Financial Instruments (Continued)

#### *Financial assets (Continued)*

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

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

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

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

Despite the foregoing, the 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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Financial Instruments (Continued)

#### *Financial assets (Continued)*

##### *(ii) Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Financial Instruments (Continued)

#### *Financial assets (Continued)*

##### (v) *Measurement of 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.

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

#### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECL. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment that is available without undue cost or effort.

Lifetime ECL for certain 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, the Group takes into consideration the following characteristics when formulating the grouping:

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Financial Instruments (Continued)

#### *General approach*

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

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECL except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECL
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECL
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECL

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Financial Instruments (Continued)

#### ***General approach (Continued)***

##### *Derecognition of financial assets*

The 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

#### ***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 the Company are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### *Financial liabilities at amortised cost*

Financial liabilities including trade and other payables and accounts payable to brokerage clients are subsequently measured at amortised cost, using the effective interest method.

##### *Derecognition of financial liabilities*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (s) Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### (t) Share-based payment transactions

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

###### *Share options granted to employees*

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

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

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

When share options granted are vested, the amount previously recognised in share option reserve will be transferred to accumulated losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

### (v) Related parties

- (i) A person, or a close member of that person's family, is related to the group if that person:
- (1) has control or joint control over the group;
  - (2) has significant influence over the group;
  - (3) is a member of the key management personnel of the group or the group's parent.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (v) Related parties (Continued)

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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.

### Critical judgements in applying accounting policies

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

#### ***Determination on the lease term of contracts with renewal options***

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs);
- During the year ended 31 December 2020, the exercise of the renewal option, which is detailed in note 20, resulted in an additional amount of HK\$21,907,475 of right-of-use assets and lease liabilities recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty

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

#### *Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets.

As at 31 December 2020, the carrying amount of goodwill is HK\$2,780,482 (2019: HK\$2,780,482). Details of the recoverable amount calculation are disclosed in note 24.

#### *Provision of ECL for trade receivables*

The Group uses a provision of matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history, and their financial position and an assessment of both the current and future general economic conditions and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in circumstances and of forecast general economic conditions and the selection of forward-looking macroeconomic scenarios. The information about the ECL and the Group's trade receivables are disclosed in note 43 to the consolidated financial statements. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

As at 31 December 2020, the carrying amount of trade receivables (net of allowance for credit losses) is HK\$9,553,826 (2019: HK\$17,365,852).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

#### *Impairment assessment of margin loans receivables*

The Group calculates the ECL of receivables from margin clients based on the assessments considering the probability of default, expected recovery rates from loss given default, forward-looking information and macroeconomic environment, as well as the fair value of the collateral pledged by the customers to the margin loans receivable. Further details are set out in note 43 to the consolidated financial statements.

As at 31 December 2020, the carrying amount of margin loans receivables (net of allowance, for credit losses) is HK\$114,514,399 (2019: HK\$162,189,933).

#### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

As explained in notes 19 and 20 to the consolidated financial statements, in respect of the Group's property, plant and equipment and right-of-use assets, impairment loss of HK\$2,816,032 and HK\$11,378,220 respectively (2019: no impairment loss were recognised in the consolidated profit or loss for the year ended 31 December 2019). As at 31 December 2020, the carrying amount of property, plant and equipment and right-of-use assets are HK\$3,037,986 and HK\$25,551,466 respectively (2019: HK\$6,163,388 and HK\$36,575,009 respectively).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

### *Impairment of film deposits and rights*

The Group assesses annually or when there is indication of impairment whether film deposits and rights are impaired in accordance with the Group's accounting policy stated in note 4 to the consolidated financial statements. Prior to 31 December 2019, such assessment was performed specifically for each film deposit and right with reference to the cast or scale of each film and on the assumption that funding for development and production of the film were available. According to the management's cash flow forecast in respect of each film deposit, provision for impairment loss on film deposits and rights of HK\$102,074,882 was recognised in profit or loss to reduce the carrying amounts of film deposits and rights to its recoverable amounts in prior years.

Further details are set out in note 22 to the consolidated financial statements.

### *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## 6. REVENUE

An analysis of revenue from continuing operations is as follows:

	2020 HK\$	2019 HK\$
<i>Revenue from contract with customers</i>	<b>37,947,210</b>	78,232,682
<i>Revenue from other sources</i>		
Interest income from margin financing	<b>13,026,019</b>	13,806,945
	<b>50,973,229</b>	92,039,627

All of the Group's revenue from other sources – interest income from margin financing was generated in Hong Kong and details of the Group's accounting policies on revenue recognition are set out in 4(d) to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. REVENUE (Continued)

### (i) Disaggregated revenue information from continuing operation

For the year ended 31 December	Advertising and media		Financial services		Total	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
<b>Types of good or services</b>						
Advertising and media services						
– direct sales channel	17,985,114	33,441,537	–	–	17,985,114	33,441,537
– agency sales channel	19,595,109	44,171,519	–	–	19,595,109	44,171,519
Commission and fee income on securities dealing and broking	–	–	366,987	619,626	366,987	619,626
	<b>37,580,223</b>	77,613,056	<b>366,987</b>	619,626	<b>37,947,210</b>	78,232,682
<b>Geographical markets</b>						
– Hong Kong	20,507,971	29,268,862	366,987	619,626	20,874,958	29,888,488
– Singapore	17,072,252	48,344,194	–	–	17,072,252	48,344,194
Segment revenue	<b>37,580,223</b>	77,613,056	<b>366,987</b>	619,626	<b>37,947,210</b>	78,232,682
<b>Timing of revenue recognition</b>						
At a point of time	–	–	366,987	619,626	366,987	619,626
Over time	37,580,223	77,613,056	–	–	37,580,223	77,613,056
	<b>37,580,223</b>	77,613,056	<b>366,987</b>	619,626	<b>37,947,210</b>	78,232,682

### (ii) Performance obligations

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

#### **Advertising and media services**

Revenue from advertising and media services is recognised over time during the broadcast period and payment generally due within 30 days.

#### **Commission income**

Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trade executed and payment is generally due two days after trade date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 7. OPERATING SEGMENTS

The chief operating decision-maker (“CODM”) has been identified collectively as the executive directors of the Company. The executive directors review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

Management regularly reviews the operating results from a perspective of different activities and assesses the performance of each operating segment:

For management purposes, during the year ended 31 December 2019, the Group had the following operating segments:

- Advertising and media
- Financial services, mainly include securities dealings and brokerage business and margin financing business
- Film development, production and distribution
- Retail of skin care products (ceased business during the year)
- Provision of early childhood education services (disposed during the year ended 31 December 2019 and thus, this operating segment was classified as discontinued operation, details of which are set out in note 13 to the consolidated financial statements)

The CODM regularly reviews revenue and results analysis of the Group’s operating segments. During the year ended 31 December 2020, the presentation of the Group’s operating segments are revised as detailed below as the CODM considers that the current operating segments could provide better summary to them in review the Group’s operating performance and making decision in resources allocation. Accordingly, the comparative figures of the reportable segments have been restated for the purpose of presenting segment information.

During the year ended 31 December 2020, the Group’s business segments in relation to the “Advertising and media” and the “film development, production and distribution” which were presented as separate operating segments in the prior years are considered as a single operating segment by the CODM in the current year. Accordingly, the information of these operations has been aggregated into a single operating segment which is reported as “Advertising and media” for segment reporting.

During the year ended 31 December 2020, for management purposes, the Group had the following operating segments:

- Advertising and media
- Financial services, mainly include securities dealings and brokerage business and margin financing business
- Retail of skin care products

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 7. OPERATING SEGMENTS (Continued)

The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's loss before tax from continuing operations except that other income, other gains and losses, reversal of (impairment losses), finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The Group did not have any significant inter-segment sales during the year ended 31 December 2020 and 31 December 2019.

### Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations and discontinued operation by reportable segments:

	Continuing operations				Total HK\$
	Advertising and media HK\$	Retail of skin care products HK\$	Financial services HK\$	Unallocated HK\$	
<b>For the year ended 31 December 2020</b>					
<b>Segment revenue</b>	<b>37,580,224</b>	<b>–</b>	<b>13,393,005</b>	<b>–</b>	<b>50,973,229</b>
<b>Segment results</b>	<b>(17,725,174)</b>	<b>(26,171)</b>	<b>2,788,458</b>	<b>–</b>	<b>(14,962,887)</b>
<b>Segment assets</b>	<b>51,060,207</b>	<b>272,284</b>	<b>197,034,456</b>	<b>–</b>	<b>248,366,947</b>
Corporate and other unallocated assets					<b>2,702,940</b>
Total assets					<b>251,069,887</b>
<b>Segment liabilities</b>	<b>53,390,938</b>	<b>110</b>	<b>9,431,847</b>	<b>–</b>	<b>62,822,895</b>
Corporate and other unallocated liabilities					<b>3,250,416</b>
Total liabilities					<b>66,073,311</b>
<b>Other segment information</b>					
Impairment loss of an associate	(87,673)	–	–	–	(87,673)
Reversal of impairment loss of trade receivables	109,618	–	–	–	109,618
Impairment loss of property, plant and equipment	(2,816,032)	–	–	–	(2,816,032)
Impairment loss of right-of-use assets	(11,378,220)	–	–	–	(11,378,220)
Impairment loss of margin loans receivables	–	–	(14,345,778)	–	(14,345,778)
Fair value loss on equity investment at FVTPL	–	–	(6,383,520)	–	(6,383,520)
Depreciation of property, plant and equipment	(2,965,777)	(23,014)	(192,980)	(513,149)	(3,694,920)
Depreciation of right-of-use assets	(12,071,878)	–	(1,087,383)	(2,900,941)	(16,060,202)
Capital expenditure	(3,216,733)	–	(33,061)	–	(3,249,794)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 7. OPERATING SEGMENTS (Continued)

### Segment revenue and results (Continued)

	Continuing operations				Total HK\$	Discontinued operation
	Advertising and media HK\$	Retail of skin care products HK\$	Financial services HK\$	Unallocated HK\$		Provision of early childhood education services HK\$
For the year ended 31 December 2019						
Segment revenue	77,613,055	–	14,426,572	–	92,039,627	287,551
Segment results	34,364,760	(48,914)	12,835,168	–	47,151,014	102,725
Segment assets	74,940,605	298,052	228,866,737	–	304,105,394	–
Corporate and other unallocated assets					16,294,638	–
Total assets					320,400,032	–
Segment liabilities	48,704,437	1,503	18,798,696	–	67,504,636	–
Corporate and other unallocated liabilities					8,665,514	–
Total liabilities					76,170,150	–
Other segment information						
Loss on disposal of a subsidiary	(1,351,373)	–	–	–	(1,351,373)	–
Share of results of an associate	(40,036)	–	–	–	(40,036)	–
Reversal of impairment loss of trade receivables	333,066	–	–	–	333,066	–
Fair value gain on equity investment at FVTPL	–	–	3,420,000	–	3,420,000	–
Depreciation of property, plant and equipment	(2,879,716)	(48,914)	(587,060)	(514,151)	(4,029,841)	(1,002)
Depreciation of right-of-use assets	(6,766,014)	–	(1,004,344)	(3,077,025)	(10,847,383)	(176,086)
Amortisation	(35,750)	–	–	–	(35,750)	–
Capital expenditure	(2,107,120)	–	(12,240)	–	(2,119,360)	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 7. OPERATING SEGMENTS (Continued)

### Information about major customers

None of the customers accounted for 10% or more of the Group's total revenue for the years ended 31 December 2020 and 2019.

### Geographical information

The information about its non-current assets by location of assets are detailed below:

	2020 HK\$	2019 HK\$
<b>From continuing operations</b>		
Hong Kong	<b>30,507,290</b>	35,773,885
Singapore	<b>2,898,183</b>	11,921,235
	<b>33,405,473</b>	47,695,120

## 8. OTHER INCOME

	2020 HK\$	2019 HK\$
<b>Continuing operations</b>		
Government grants (note)	<b>4,953,886</b>	114,841
Dividend income from listed investments	–	6,109
Bank interest income	<b>99,894</b>	315,539
Other interest income	<b>342,866</b>	1,212,684
Production income	<b>29,100</b>	372,286
Services fee income	<b>1,937,212</b>	465,450
Sundry income	<b>274,259</b>	515,633
	<b>7,637,217</b>	3,002,542

*Note:* During the current year, the Group recognised government grants of HK\$4,953,886 in respect of Covid-19-related subsidies, all of which relates to Employment Support Scheme provided by the Hong Kong government. Government grants in respect of the Covid-19-related subsidies were recognised at the time the Group fulfilled the relevant granting criteria.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 9. OTHER GAINS AND LOSSES

	2020 HK\$	2019 HK\$
<b>Continuing operations</b>		
Gain on termination of lease contracts	<b>81,497</b>	–
(Loss) gain on disposal of items of property, plant and equipment	<b>(1,267)</b>	335,000
Realised gains on derecognition of equity investment at fair value through profit or loss	–	244,761
Fair value (loss) gain on equity investment at fair value through profit or loss	<b>(6,383,520)</b>	3,432,000
Office rental concession income	<b>140,528</b>	–
	<b>(6,162,762)</b>	4,011,761

## 10. FINANCE COSTS

	2020 HK\$	2019 HK\$
<b>Continuing operations</b>		
Interest on lease liabilities	<b>1,230,547</b>	876,245
Interest on bank and other borrowings	–	1,411,169
	<b>1,230,547</b>	2,287,414

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 11. (IMPAIRMENT LOSSES) REVERSAL OF IMPAIRMENT LOSSES RECOGNISED

	2020 HK\$	2019 HK\$
<b>Continuing operations</b>		
(Impairment losses) reversal of impairment losses recognised in respect of:		
– Margin loan receivables	<b>(14,345,778)</b>	–
– Trade receivables	<b>109,618</b>	333,066
– Other receivables	–	(100,000)
Impairment loss recognised in respect of:		
– Interest in an associate	<b>(87,673)</b>	–
– Property, plant and equipment	<b>(2,816,032)</b>	–
– Right-of-use assets	<b>(11,378,220)</b>	–
	<b>(28,518,085)</b>	233,066

Details of impairment assessment are set out in notes 19, 20, 23 and 43.

## 12. INCOME TAX EXPENSES

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2020 HK\$	2019 HK\$
<b>Continuing operations</b>		
Current income tax:		
– Hong Kong	<b>1,563,148</b>	1,431,097
– PRC	–	–
– Singapore	–	–
	<b>1,563,148</b>	1,431,097
Under-provision (over-provision) in prior years:		
– Hong Kong	<b>15,322</b>	(38,063)
Income tax expenses	<b>1,578,470</b>	1,393,034

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 12. INCOME TAX EXPENSES (Continued)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No provision for EIT has been made for the PRC subsidiary as the PRC subsidiary did not have any assessable profits subject to EIT in the PRC during the year (2019: Nil).

Under Income Tax Act (Chapter 134) of the Singapore, the corporate income tax rate of the Singapore subsidiaries is 17% for both years. No provision for Singapore corporate income tax has been made for the Singapore subsidiaries as they did not have any assessable profits subject to corporate income tax in the Singapore during the year (2019: Nil).

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax under these jurisdictions for both years.

The reconciliation between the income tax expense from continuing operations and loss before tax multiplied by the income tax rate applicable to respective tax jurisdictions is as follows:

	2020 HK\$	2019 HK\$
Loss before tax from continuing operations	<b>(57,619,791)</b>	(15,678,574)
Tax calculated at the rates applicable to respective tax jurisdictions	<b>(9,556,039)</b>	(2,648,378)
Tax effect of income that is not taxable	<b>(238,509)</b>	(2,364,342)
Tax effect of expenses that are not deductible	<b>6,646,109</b>	2,666,255
Under-provision (over-provision) in prior years	<b>15,322</b>	(38,063)
Tax effect of tax losses not recognised	<b>4,876,587</b>	4,186,251
Tax effect of utilisation of tax losses previously not recognised	–	(243,689)
Effect of tax concession	<b>(165,000)</b>	(165,000)
Income tax expenses from continuing operations	<b>1,578,470</b>	1,393,034

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 13. DISCONTINUED OPERATION

On 4 March 2019, the Group sold its entire equity interest (i.e. 70% of equity interest) in Babysteps Limited (“Babysteps”) to an independent third party at a consideration of HK\$1 as this investment no longer coincided with the Group’s investment strategy. Babysteps engaged in provision of early childhood education services. The disposal of Babysteps was completed on 4 March 2019. The management of the Company decided to cease and terminate its “Provision of early childhood education services” operating segment and thus, the results of Babysteps are presented in these consolidated financial statements as the discontinued operation in prior year.

The results of Babysteps during the year ended 31 December 2019 are presented below:

	2019 HK\$
Revenue	287,551
Cost of sales	(7,738)
Gross profit	279,813
Other income	9
Administrative expenses	(459,565)
Interest on lease liabilities	(8,758)
Loss before tax	(188,501)
Income tax expense	–
Loss for the year from discontinued operation	(188,501)

The net cash flows incurred by Babysteps are as follows:

Net cash outflows from operating activities	(222,474)
Net cash inflows from investing activities	8
Net cash outflows from financing activities	(2,351,993)
Net cash outflow	(2,574,459)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 14. LOSS FOR THE YEAR

The Group's loss for the year from continuing operations is stated after charging the following:

	2020 HK\$	2019 HK\$
Auditors' remuneration		
– Current	<b>800,000</b>	1,150,000
– Under provision	–	231,800
Cost of services provided <sup>#</sup>	<b>18,502,449</b>	36,059,286
Depreciation of property, plant and equipment	<b>3,694,920</b>	4,029,841
Depreciation of right-of-use assets	<b>16,060,202</b>	10,847,383
Amortisation of other intangible assets	–	35,750
Exchange losses	<b>122,035</b>	4,493
Expenses relating to short-term leases	<b>6,221,247</b>	11,631,512

<sup>#</sup> Covid-19-related rent concessions of HK\$3,722,709 for the billboard spaces of the Group were deducted from costs of services provided.

## 15. EMPLOYEE BENEFITS EXPENSES

	2020 HK\$	2019 HK\$
Employee benefits expenses (excluding director's remuneration):		
– Salaries, wages and allowance	<b>31,531,925</b>	36,343,069
– Performance related bonuses	–	–
– Pension scheme contribution	<b>1,958,344</b>	2,581,070
– Other post-employment benefits	<b>1,137,150</b>	1,016,535
	<b>34,627,419</b>	39,940,674

The five highest paid individuals in the Group during the year included one director (2019: one director), details of whose remuneration are set out in note 16. Details of the remaining four (2019: four) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	2020 HK\$	2019 HK\$
Salaries, allowances and benefits in kind	<b>7,037,336</b>	9,177,452
Performance related bonuses	–	–
Equity-settled share-based expense	–	–
Pension scheme contribution	<b>69,000</b>	72,000
	<b>7,106,336</b>	9,249,452

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 15. EMPLOYEE BENEFITS EXPENSES (Continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

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

During the years ended 31 December 2020 and 2019, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### 16. BENEFITS AND INTERESTS OF DIRECTORS

#### (a) Directors' and Chief Executive Officer ("CEO") emoluments

Directors and CEO remuneration for the year, disclosed pursuant to the applicable GEM Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Name of Director	Director's fee HK\$	Salaries and allowances HK\$	Housing allowance HK\$	Performance related bonuses HK\$	Employer's contribution to a retirement benefit scheme HK\$	Total HK\$
<b>During the year ended 31 December 2020</b>						
<b>Executive Directors</b>						
An Xilei	–	–	–	–	3,000	3,000
Gao Ran ( <i>Note a</i> )	–	–	–	–	–	–
Wong Hong Gay Patrick Jonathan ( <i>CEO</i> )	–	1,816,803	726,000	–	18,000	2,560,803
Mock Wai Yin	–	480,000	–	–	–	480,000
Wang Jun ( <i>Note b</i> )	–	–	–	–	2,000	2,000
<b>Independent Non-executive Directors</b>						
Chan Chi Keung Alan	140,000	–	–	–	–	140,000
Lee Chi Hwa Joshua	140,000	–	–	–	–	140,000
Lau Mei Ying	140,000	–	–	–	–	140,000
<b>Total for 2020</b>	<b>420,000</b>	<b>2,296,803</b>	<b>726,000</b>	<b>–</b>	<b>23,000</b>	<b>3,465,803</b>

*Note a:* Appointed on 4 December 2020.

*Note b:* Resigned on 10 March 2021.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (a) Directors' and Chief Executive Officer ("CEO") emoluments (Continued)

Name of Director	Director's fee HK\$	Salaries and allowances HK\$	Housing allowance HK\$	Performance related bonuses HK\$	Employer's contribution to a retirement benefit scheme HK\$	Total HK\$
During the year ended 31 December 2019						
Executive Directors						
An Xilei	-	600,000	-	-	18,000	618,000
Wong Hong Gay Patrick Jonathan (CEO)	-	1,950,000	768,000	-	18,000	2,736,000
Mock Wai Yin	-	480,000	-	-	-	480,000
Wang Jun	-	240,000	-	-	12,000	252,000
Independent Non-executive Directors						
Chan Chi Keung Alan	240,000	-	-	-	-	240,000
Lee Chi Hwa Joshua	240,000	-	-	-	-	240,000
Lau Mei Ying	240,000	-	-	-	-	240,000
<b>Total for 2019</b>	<b>720,000</b>	<b>3,270,000</b>	<b>768,000</b>	<b>-</b>	<b>48,000</b>	<b>4,806,000</b>

During the year, no remuneration was paid by the Group to the directors and CEO as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

During the year ended 31 December 2020, An Xilei and Wang Jun, the executive directors of the Company, agreed to waive directors' remuneration of HK\$566,500 and HK\$231,000 respectively. Other than these arrangements, there was no arrangement under which a director and the CEO waived or agreed to waive any remuneration during the year (2019: Nil).

The remunerations of directors and the CEO were determined by the remuneration committee having regard to the performance of individuals and market trends.

Fees, salaries and other benefits paid to or for the executive and non-executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (b) Directors' material interests in transactions, arrangements or contracts

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

## 17. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

## 18. LOSS PER SHARE

### From continuing and discontinued operations

The calculation of the basic and diluted loss attributable to the owners of the Company is based on the following data:

	2020 HK\$	2019 HK\$
<b>Loss</b>		
Loss for the year attributable to owners of the Company		
– from continuing operations	<b>(58,082,647)</b>	(17,975,813)
– from discontinued operations	–	(131,951)
Loss for the purpose of basic and diluted loss per share	<b>(58,082,647)</b>	(18,107,764)

	2020	2019 (Restated, see note)
<b>Weighted average number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>57,354,612</b>	57,354,612

Note: The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for consolidation of shares on 5 June 2020 (see note 35).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 18. LOSS PER SHARE (Continued)

### From continuing and discontinued operations (Continued)

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for both 2020 and 2019. Accordingly, the weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same as the potential dilutive ordinary shares during the years ended 31 December 2020 and 31 December 2019 have no dilutive effect.

### From continuing operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2020 HK\$	2019 HK\$
<b>Loss</b>		
Loss from continuing operations for the purpose of calculating basic and diluted loss per share	<b>(58,082,647)</b>	(17,975,813)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

### From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK0.23 cents per share (restated) for the year ended 2019, based on the loss for the year from the discontinued operations of HK\$131,951 and the denominators used are the same as those detailed above for both basic and diluted loss per share (2020: N/A).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 19. PROPERTY, PLANT AND EQUIPMENT

	LCD monitors HK\$	Furniture and office equipment HK\$	Computer and office equipment HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Total HK\$
<b>31 December 2020</b>						
At 1 January 2020						
Cost	26,883,844	1,544,783	5,941,784	8,970,070	3,889,228	47,229,709
Accumulated depreciation	(23,483,037)	(1,463,359)	(5,080,276)	(8,488,392)	(2,551,257)	(41,066,321)
Net carrying amount	3,400,807	81,424	861,508	481,678	1,337,971	6,163,388
At 1 January 2020						
Net of accumulated depreciation	3,400,807	81,424	861,508	481,678	1,337,971	6,163,388
Additions	3,109,221	6,088	134,485	–	–	3,249,794
Disposal	–	–	(1,267)	–	–	(1,267)
Depreciation	(1,946,919)	(45,702)	(532,162)	(403,100)	(767,037)	(3,694,920)
Impairment losses	(2,416,927)	(9,870)	(204,722)	(41,262)	(143,251)	(2,816,032)
Exchange realignment	140,663	(29)	1,394	(5,005)	–	137,023
At 31 December 2020, net of accumulated depreciation and impairment losses	2,286,845	31,911	259,236	32,311	427,683	3,037,986
At 31 December 2020						
Cost	30,299,694	1,547,896	6,096,593	8,983,190	3,900,089	50,827,462
Accumulated depreciation and impairment losses	(28,012,849)	(1,515,985)	(5,837,357)	(8,950,879)	(3,472,406)	(47,789,476)
Net carrying amount	2,286,845	31,911	259,236	32,311	427,683	3,037,986
<b>31 December 2019</b>						
At 1 January 2019						
Cost	25,897,960	1,551,730	5,763,964	9,107,335	4,336,091	46,657,080
Accumulated depreciation	(22,089,850)	(1,394,743)	(4,562,936)	(7,517,512)	(3,028,298)	(38,593,339)
Net carrying amount	3,808,110	156,987	1,201,028	1,589,823	1,307,793	8,063,741
At 1 January 2019						
Net of accumulated depreciation	3,808,110	156,987	1,201,028	1,589,823	1,307,793	8,063,741
Additions	1,167,482	3,280	212,998	6,500	729,100	2,119,360
Disposal of a subsidiary	–	–	(2,938)	(2,347)	–	(5,285)
Depreciation	(1,586,397)	(78,862)	(551,720)	(1,113,940)	(698,922)	(4,029,841)
Exchange realignment	11,612	19	2,140	1,642	–	15,413
At 31 December 2019, net of accumulated depreciation	3,400,807	81,424	861,508	481,678	1,337,971	6,163,388
At 31 December 2019						
Cost	26,883,844	1,544,783	5,941,784	8,970,070	3,889,228	47,229,709
Accumulated depreciation	(23,483,037)	(1,463,359)	(5,080,276)	(8,488,392)	(2,551,257)	(41,066,321)
Net carrying amount	3,400,807	81,424	861,508	481,678	1,337,971	6,163,388

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 19. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

LCD monitors	5 years
Furniture and office equipment	3 to 5 years
Computer equipment	3 to 5 years
Leasehold improvements	3 to 5 years or over the term of lease, whichever is shorter
Motor vehicles	3 to 5 years

In accordance with the Group's accounting policies, the Group reviews the carrying amount of its property, plant and equipment to determine whether there is any indication of that these assets have suffered an impairment loss. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made at the reporting period.

During the year ended 31 December 2020, the Group's advertising and media segment recorded a significant decline in sales by approximately of 52% to HK\$37,580,223 from HK\$77,613,056 in last year. In view of the decrease in the businesses and operations of the Group, the directors of the Company carried out a review of the recoverable amounts of the property, plant and equipment and right-of-use assets containing in the cash-generating units in the advertising and media segment with reference to a professional valuation based on the basis of value-in-use using discounted cash flow method performed by an independent professional valuer, Roma Appraisals Limited ("ROMA") by comparing the carrying values and the recoverable amounts of the CGUs which are based on certain key assumptions.

The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the advertising and media segment. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the advertising and media segment operate. Budgeted gross margins and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets of the advertising and media segment approved by the directors for the next five years with the residual period using the growth rates of 1.46% and 2.4%, respectively. These rates do not exceed the average long-term growth rates for the relevant markets. The rates used to discount the forecast cash flows from the Group's advertising and media segment is 15.78% and 16.15%.

Based on the impairment assessment, as at 31 December 2020, the carrying amount of the CGUs exceeds its recoverable amount and accordingly, impairment losses of HK\$2,816,032 and HK\$11,378,220 were recognised and allocated to property, plant and equipment and right-of-use assets (see note 20), respectively for the year ended 31 December 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 20. LEASES

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

	Land and buildings HK\$	Outdoor billboard space HK\$	Total HK\$
<b>31 December 2020</b>			
At 1 January 2020			
Cost	16,311,133	30,964,303	47,275,436
Accumulated depreciation	(6,797,031)	(3,903,396)	(10,700,427)
Net carrying amount	9,514,102	27,060,907	36,575,009
At 1 January 2020			
Net of accumulated depreciation	9,514,102	27,060,907	36,575,009
Additions	2,053,341	19,854,134	21,907,475
Depreciation charge (Note)	(7,111,015)	(8,949,187)	(16,060,202)
Termination	–	(5,409,461)	(5,409,461)
Impairment losses recognised	(997,718)	(10,380,502)	(11,378,220)
Exchange realignments	(25,266)	(57,869)	(83,135)
At 31 December 2020, net of accumulated depreciation and impairment losses	3,433,444	22,118,022	25,551,466
As at 31 December 2020			
Cost	18,403,489	42,750,214	61,153,703
Accumulated depreciation and impairment losses	(14,970,045)	(20,632,192)	(35,602,237)
Net carrying amount	3,433,444	22,118,022	25,551,466
<b>For the year ended 31 December 2020</b>			
Variable lease payments not included in the measurement of lease liabilities	–	(8,694,660)	(8,694,660)
Expenses relating to short-term leases	(27,396)	(6,193,851)	(6,221,247)

Note: Out of which, an amount of HK\$8,949,187 was included in cost of sales and HK\$7,111,015 was included in administrative expenses

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 20. LEASES (Continued)

### (a) Right-of-use assets (Continued)

	Land and buildings HK\$	Outdoor billboard space HK\$	Total HK\$
31 December 2019			
At 1 January 2019			
Cost	12,846,880	993,027	13,839,907
Accumulated depreciation	–	–	–
Net carrying amount	12,846,880	993,027	13,839,907
At 1 January 2019			
Net of accumulated depreciation	12,846,880	993,027	13,839,907
Additions	5,225,127	29,971,276	35,196,403
Depreciation charge (Note)	(6,963,504)	(3,883,879)	(10,847,383)
Disposal as a result of disposal of a subsidiary	(1,584,788)	–	(1,584,788)
Exchange realignments	(9,613)	(19,517)	(29,130)
At 31 December 2019, net of accumulated depreciation	9,514,102	27,060,907	36,575,009
At 31 December 2019			
Cost	16,311,133	30,964,303	47,275,436
Accumulated depreciation	(6,797,031)	(3,903,396)	(10,700,427)
Net carrying amount	9,514,102	27,060,907	36,575,009
For the year ended 31 December 2019			
Variable lease payments not included in the measurement of lease liabilities	–	(14,312,019)	(14,312,019)
Expenses relating to short-term leases	(3,455,652)	(8,175,860)	(11,631,512)

Note: Out of which, an amount of HK\$3,883,879 was included in cost of sales and HK\$6,963,504 was included in administrative expenses

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 20. LEASES (Continued)

#### (a) Right-of-use assets (Continued)

The Group has lease contracts for land and buildings and outdoor billboard spaces used in its operations. Leases of land and buildings generally have lease terms between 2 and 3 years, while outdoor billboard spaces generally have lease terms between 2 and 5 years. Other land and buildings generally have lease terms of 12 months or less and/or is individually of low value. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

Leases of outdoor billboard spaces are either only variable lease payments or contain variable lease payments that are based on 30% to 55% sales and minimum annual lease payment that are fixed over the lease term. The payment terms are common in the Out-Of-Home advertising industry. The amount of fixed and variable lease payments paid/payable to relevant lessors during the year:

#### For the year ended 31 December 2020

	Fixed payments HK\$	Variable payments HK\$	Total payments HK\$
Outdoor billboard spaces without fixed lease payments	–	6,193,851	6,193,851
Outdoor billboard spaces with fixed lease payments	13,225,744	8,694,660	21,920,404
	<b>13,225,744</b>	<b>14,888,511</b>	<b>28,114,255</b>

#### For the year ended 31 December 2019

	Fixed payments HK\$	Variable payments HK\$	Total payments HK\$
Outdoor billboard spaces without fixed lease payments	–	8,175,860	8,175,860
Outdoor billboard spaces with fixed lease payments	11,523,881	14,312,019	25,835,900
	<b>11,523,881</b>	<b>22,487,879</b>	<b>34,011,760</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 20. LEASES (Continued)

#### (a) Right-of-use assets (Continued)

During the year ended 31 December 2020, the Group terminated lease contracts for certain outdoor billboard spaces in Hong Kong and Singapore. The early termination resulted in a gain of HK\$81,497, which is the net effect of the derecognition of the carrying amount of right-of-use assets of HK\$5,409,461, offsetting the derecognition of corresponding lease liabilities of HK\$5,490,958.

In addition, in accordance with the Group's accounting policies, the Group reviews the carrying amount of its right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made at the reporting period.

As explained in note 19, at 31 December 2020, the directors of the Company conducted impairment assessments of property, plant and equipment and the right-of-use assets containing in the cash-generating units in the advertising and media segment with reference to a professional valuation based on the basis of value-in-use using discounted cash flow method performed by ROMA by comparing the carrying values and the recoverable amounts of the CGUs which are based on certain key assumptions as details in note 19.

Based on the impairment assessment, as at 31 December 2020, the carrying amount of the CGUs exceeds its recoverable amount and accordingly, impairment losses of HK\$2,816,032 and HK\$11,378,220 were recognised and allocated to right-of-use assets and property, plant and equipment (see note 19), respectively for the year ended 31 December 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 20. LEASES (Continued)

#### (b) Lease liabilities

	2020 HK\$	2019 HK\$
Amount analysed as:		
– Non-current	<b>25,490,634</b>	22,097,942
– Current	<b>11,915,045</b>	14,691,868
	<b>37,405,679</b>	36,789,810
Lease liabilities payable on:		
– Within one year	<b>11,915,045</b>	14,691,868
– Within a period of more than one year but not more than two years	<b>8,686,283</b>	8,995,245
– Within a period of more than two years but not more than five years	<b>16,804,351</b>	13,102,697
	<b>37,405,679</b>	36,789,810
Less: Amount due for settlement within 12 months shown under current liabilities	<b>(11,915,045)</b>	(14,691,868)
Amount due for settlement after 12 months shown under non-current liabilities	<b>25,490,634</b>	22,097,942
Interest on lease liabilities	<b>1,230,547</b>	876,244
Total cash outflow for leases	<b>13,225,743</b>	11,523,811
Covid-19 related rent concession from lessors	<b>3,863,237</b>	–
Gain on termination of lease contract	<b>81,497</b>	–

The weighted average incremental borrowing rates applied to lease liabilities range from 0.88% to 9.28% (2019: from 2.20% to 7.24%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 20. LEASES (Continued)

#### (b) Lease liabilities (Continued)

Lease obligations are denominated in the following currencies:

	2020 HK\$	2019 HK\$
HK\$	<b>31,786,219</b>	27,710,664
Singapore dollars ("SG\$")	<b>5,619,460</b>	9,079,146
	<b>37,405,679</b>	36,789,810

#### *Rent concessions*

During the year ended 31 December 2020, lessors of outdoor billboard spaces provided rent concessions to the Group through rent reductions over one to six months.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$3,863,237 were recognised as negative variable lease payments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 21. INTANGIBLE ASSETS

	Rights to use intellectual properties HK\$	Licences HK\$	Total HK\$
<b>Cost</b>			
At 1 January 2019	3,265,000	2,102,411	5,367,411
Written off	(2,304,250)	(2,102,411)	(4,406,661)
At 31 December 2019, 1 January 2020 and 31 December 2020	960,750	–	960,750
<b>Accumulated amortisation and impairment losses</b>			
At 1 January 2019	(3,229,250)	(2,102,411)	(5,331,661)
Amortisation	(35,750)	–	(35,750)
Written off	2,304,250	2,102,411	4,406,661
At 31 December 2019, 1 January 2020 and 31 December 2020	(960,750)	–	(960,750)
<b>Carrying amounts</b>			
<b>At 31 December 2020</b>	–	–	–
At 31 December 2019	–	–	–

Separately acquired rights to use intellectual properties and licences are shown at historical cost. Rights to use intellectual properties and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of rights to use intellectual properties and licences over their estimated useful lives of 5 and 10 years, respectively.

During the year ended 31 December 2019, the Group has written off certain rights to use intellectual properties and licences due to expiration of the relevant agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 22. FILM DEPOSITS AND RIGHTS

	2020 HK\$	2019 HK\$
Cost	<b>102,074,882</b>	102,074,882
Accumulated amortisation and impairment	<b>(102,074,882)</b>	(102,074,882)
	-	-

The Group acquired Ricco Media Investments Ltd (“RMI”) which indirectly holds a 75% equity interest in Stan Lee Global Entertainment, LLC (“SLGE”) that is engaged in the business of film development, production and distribution and holds intellectual property rights for motion picture development in the form of concept, treatment and script among which three are already in the development phases. There are three film rights, namely, Realm, Annihilator, Replicator and Antiligh, are initially measured as fair value under the income-based approach, and the recoverable amount was approximately HK\$136,000,000 as at 31 December 2015, the key assumptions used in the value in use calculation of the film deposits and rights for 2015 and 2016 included (i) the production budget of films ranged from US\$50 million to US\$65 million; (ii) the box office earning to production cost multiples ranged from 5.8 times to 6.1 times and (iii) discount rate ranged from 19.6% to 20.6%. RMI Group considered that the box office earning to production cost multiples is commonly used in the film production industry as an indicator for film performance and the box office earning to production cost multiples adopted were determined with reference to the increasing popularity in superhero film at that period.

As disclosed in the Company’s annual report for the year ended 31 December 2017, the Group recognised an impairment of film deposits and rights of approximately HK\$37,001,600 and the recoverable amount of film deposits and rights was approximately HK\$102,000,000 as at 31 December 2017. It was mainly attributable to (i) reduction in expected box office revenue due to the increased competitiveness in the film industry; (ii) a proposed draft cofinancing arrangement which led to a lower revenue sharing by the Group; and (iii) the delay in the progress of the film development. The RMI Group decreased the production cost budget of Realm from US\$50 million to US\$38.4 million in 2017 in response to the expected increase competitiveness of the film industry and the profit sharing ratio was decreased from 41.25% in 2015 and 2016 to 22.50% in 2017 with reference to the terms and conditions stated in the proposed draft co-financing arrangement. Since completion of acquisition of the rights in these films, the Group has been actively seeking collaborating partners among studios in Hollywood and/or China to co-finance the funding necessary for the production of the films. Among the potential investors with whom the Group had initiated contact, one China-based group showed interest in collaborating with the Group in developing one or two of the films in the form of a co-financing arrangement. For the year ended 31 December 2017, the Company had taken into account the terms and conditions of the proposed draft co-financing agreement in the value in use calculation. Due to the scale of the funding required to participate in the film production, the Group would be required to raise funds through equity financing or debt financing to fund the film production. Furthermore, as disclosed in the Company’s interim report for the period ended 30 June 2018, the Company recognised an impairment of film deposits and rights of approximately HK\$42 million because there was no further progress in negotiation with the co-financer and the Group had not entered into any formal contractual agreement in relation to the production of these films.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 22. FILM DEPOSITS AND RIGHTS (Continued)

As disclosed in the Company's announcement for the year ended 31 December 2018, the Group had recognised further impairment loss of film deposits and rights of HK\$102,074,882. This was mainly attributable to the change in box office earning to production budget multiples from 5.8–5.9 times in previous years to 4.0 times in 2018. In assessing the box office earning to production budget multiples, RMI Group had taken into account the recent development of the film industry, including the trends in the Superhero films and certain top box office films. Over the past few years, the Superhero films achieved phenomenal success, including those the Superhero characters originally created by Mr. Stan Lee (who deceased in 2018). As for the film industry, in particular, the producers of the Superhero films, were dominated by one to two key film producers. According to the box office in 2017 and 2018, certain Superhero films achieved to break the box office records and the average box office earning to production budget multiples for films produced the most successful film producer ranged from approximately 3.2 times to 6.3 times, while the second most successful film producer ranged from approximately 2.1 times to 5.7 times.

RMI Group owned intellectual property rights in three films with characters was originally created by Mr. Stan Lee, however, the Group's Superhero characters are newly created and these film rights are still in the script development stage. Comparing to those Superhero characters with long history and high publicity, the competition for RMI's Superhero films would be keen and therefore, the box office earning to production budget ratio was adjusted in 2018. In addition, the recent film industry in China was affected by China's tax authority in reinforcing tax practices, such tighten tax practice affected the entire film industry's current operation, in particular, some film production companies have cancelled or postponed their film projects, some film production companies have gone out of business while some of the famous actors/actresses in China were affected by the tightening tax practices. As several RMI Group's Superhero characters would target the Chinese actors/actresses as the leading role in the films and some production would be taken place in Mainland China, the RMI Group envisaged that the production of these films would be challenging in the near future.

In the light of the foregoing, the directors of the Company considered that the recoverable amount of film deposits and rights were highly uncertain and difficult to predict, accordingly, a full provision for impairment of HK\$102,074,882 was charged to profit or loss during the year ended 31 December 2018. Since the year ended 31 December 2018 and till to the date of this report date, the carrying amount remained zero due to no meaningful or significant development since then.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 23. INTEREST IN AN ASSOCIATE

	2020 HK\$	2019 HK\$
Cost of investment in an associate, Wisefit (as defined below)	<b>158,749</b>	158,749
Loan to an associate	<b>1,091,251</b>	1,091,251
Share of post-acquisition results and other comprehensive income, net of dividend received	<b>(369,829)</b>	(369,829)
Accumulated impairment of interest in an associate	<b>(880,171)</b>	(792,498)
	<b>–</b>	<b>87,673</b>

The loan to Wisefit is unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the loan is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net interest in Wisefit.

Movements in the interests in Wisefit are as follows:

	2020 HK\$	2019 HK\$
At the beginning of the year	<b>87,673</b>	127,709
Share of loss of Wisefit	–	(40,036)
Impairment loss recognised	<b>(87,673)</b>	–
	<b>–</b>	<b>87,673</b>

During the year, Wisefit is in the process of liquidation and thus, the directors of the Company are of the view that the recoverable amount of the Group's interests in Wisefit will be minimum and thus, the Group recognised the full impairment loss of HK\$86,673 during the year ended 31 December 2020.

Particulars of Wisefit as at 31 December 2019 are as follows:

Name of associates	Place of establishment and principal place of operation	Form of business structure	Attributable interest and proportion of voting power held by the Group		Principal activities
			Directly	Indirectly	
Wisefit Smooth Limited ("Wisefit")	British Virgin Islands ("BVI")/Hong Kong	Limited liability company	–	36.00%	Retail of fruit drink in Hong Kong

The Group's shareholdings in Wisefit comprises equity shares held through a wholly-owned subsidiary of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 23. INTEREST IN AN ASSOCIATE (Continued)

Wisefit is accounted for using the equity method.

	2020 HK\$	2019 HK\$
Aggregate carrying amount of the Group's associate that are not individually material	–	87,673
Aggregate amounts of the Group's share of:		
Loss for the year	–	40,036
Other comprehensive income	–	–
Total comprehensive loss	–	40,036

### 24. GOODWILL

	2020 HK\$	2019 HK\$
<b>Cost</b>		
At 1 January and 31 December	2,780,482	2,780,482
<b>Accumulated impairment losses</b>		
At 1 January and 31 December	–	–
<b>Net carrying amount</b>		
At 31 December	2,780,482	2,780,482

In November 2016, the Group acquired the securities brokerage business together with the relevant assets and liabilities, and the interest in Glory Creator Limited. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the securities brokerage CGU.

With reference to a valuation performed by ROMA, the directors of the Company assessed the impairment of the Group's goodwill. The recoverable amount of the CGU has been determined by value in use approach adopted by ROMA, based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

- Average revenue growth rate of 5% (2019: 20%) with reference to the past performance and its expectation for market development;
- Discount rate of 10.04% (2019: 10.89%) is used with reference to the current market data for the relevant industry and comparable companies; and
- Terminal growth rate of 2.4% (2019: 2.5%) is used with reference to the Hong Kong inflation rate beyond the four-year period (2019: four-year period).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 24. GOODWILL (Continued)

The values assigned to the above key assumption on market development of securities brokerage industries, discount rates and inflation rate are consistent with external information sources.

At 31 December 2020 and 2019, based on the Group's annual goodwill impairment test, no impairments were recognised for the goodwill related to securities brokerage CGU since its recoverable amount was greater than its carrying amount.

## 25. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2020 and 2019 are as follows:

Name	Place of incorporation/ registration and operation	Form of business structure	Particular of issued share capital	Proportion of ownership interest/voting rights/ profit sharing		Principal activities
				2020	2019	
<i>Directly held by the Company</i>						
Focus Media Network Limited	BVI	Limited liability company	10,780,000 ordinary shares of HK\$0.01 each	100%	100%	Investment holding
<i>Indirectly held by the Company</i>						
Focus Media Hong Kong Limited	Hong Kong	Limited liability company	10,000 ordinary shares of HK\$1 each	100%	100%	Provision of out-of-home advertising services in Hong Kong
Creative Executive Limited	Hong Kong	Limited liability company	10,000 ordinary shares of HK\$1 each	100%	100%	Provision of out-of-home advertising services in Hong Kong
Focus Media Singapore Pte. Ltd.	Singapore	Limited liability company	5,000 ordinary shares of SG\$1 each	100%	100%	Provision of out-of-home advertising services in Singapore
Creative Execution (Pte.) Limited	Singapore	Limited liability company	10 ordinary shares of SG\$1 each	100%	100%	Provision of out-of-home advertising services in Singapore
CNP Cosmetics Singapore Pte. Limited	Singapore	Limited liability company	1,000 ordinary shares of SG\$1 each	100%	100%	Retail of skin care products in Singapore
Cosmeceutical Inc. Pte. Limited	Singapore	Limited liability company	1,000 ordinary shares of SG\$1 each	100%	100%	Retail of skin care products in Singapore
Ricco Media Investments Limited	BVI	Limited liability company	1 ordinary share of US\$1 each	100%	100%	Investment holding in United States
Stan Lee Global Entertainment LLC	United States ("US")	Limited liability company	Nil	75%	75%	Film development, production and distribution in US

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 25. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2020 and 2019 are as follows: (Continued)

Name	Place of incorporation/ registration and operation	Form of business structure	Particular of issued share capital	Proportion of ownership interest/voting rights/ profit sharing		Principal activities
				2020	2019	
Magic Storm Entertainment LLC	US	Limited liability company	US\$3,000,000	<b>75%</b>	75%	Film development, production and distribution in US
Target Charm Limited	Hong Kong	Limited liability company	1 ordinary share of HK\$1 each	<b>100%</b>	100%	Money lending business
Cornerstone Securities Limited	Hong Kong	Limited liability company	261,000,000 ordinary shares of HK\$1 each	<b>91.19%</b>	91.19%	Securities brokerage business in Hong Kong
Cornerstone Asset Management Limited	Hong Kong	Limited liability company	10,000,000 ordinary shares of HK\$1 each	<b>91.19%</b>	91.19%	Asset management business in Hong Kong
Glory Creator Limited	Hong Kong	Limited liability company	1 ordinary share of HK\$1 each	<b>100%</b>	100%	Investment holding

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

None of the subsidiaries had issued any debt securities during both years and at the end of both years.

## 26. MARGIN LOAN RECEIVABLES

Margin loans to third parties are denominated in Hong Kong dollars, bearing interest at commercial rates, secured by the underlying pledged securities and are repayable on demand.

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group, where the Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call with the margin clients having to make good the shortfall. In granting credit facility, other factors such as financial strength, creditworthiness and the past collection statistics are also considered. The Group's credit review department are responsible to monitor credit risk and seek to maintain a strict control over the outstanding loan balance.

The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. As at 31 December 2020, advances to customers in margin financing of HK\$114,514,399 (2019: HK\$162,189,933) were secured by securities pledged by the customers to the Group as collateral, with undiscounted market value of HK\$112,583,194 (2019: HK\$351,608,688).

No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the nature of the business of securities margin financing.

Details of impairment assessment of margin loans receivable are set out in note 43.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 27. TRADE AND OTHER RECEIVABLES

	2020 HK\$	2019 HK\$
Trade receivables	<b>9,658,534</b>	17,576,842
Less: Allowance for credit losses	<b>(104,708)</b>	(210,990)
Trade receivables – net (note a)	<b>9,553,826</b>	17,365,852
Prepayments, other receivables and other assets (note b)	<b>5,767,433</b>	17,968,755
	<b>15,321,259</b>	35,334,607
Less: Non-current portion:		
Rental deposit	<b>(966,306)</b>	(1,023,686)
Deposit with Hong Kong Exchanges and Clearing Limited	<b>(705,000)</b>	(705,000)
	<b>(1,671,306)</b>	(1,728,686)
Current portion	<b>13,649,953</b>	33,605,921

Notes:

(a) Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The following is an ageing analysis of trade receivables as at the end of reporting period, net of allowance for credit loss presented based on invoice date, is as follows:

	2020 HK\$	2019 HK\$
Within 30 days	<b>4,646,394</b>	12,592,689
31 to 60 days	<b>2,777,638</b>	1,987,677
Over 60 days	<b>2,129,794</b>	2,785,486
	<b>9,553,826</b>	17,365,852

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 27. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) Prepayments, other receivables and other assets

	2020 HK\$	2019 HK\$
Prepayments	408,652	840,198
Rental deposits	2,995,582	4,829,846
Other deposits	1,172,869	3,103,175
Deposit with Hong Kong Exchanges and Clearing Limited	705,000	705,000
Advances to employees	–	49,508
Other taxes receivables	285,418	470,840
Other receivables	165,530	154,633
Due from non-controlling interest (Note (i))	34,382	34,382
Loan and interest receivables (Note (ii))	–	7,781,173
	<b>5,767,433</b>	<b>17,968,755</b>

Notes:

- (i) The amount due from non-controlling interest was unsecured, interest-free and had no fixed terms of repayment.
- (ii) On 20 March 2020, the Group has extended the maturity date of the unsecured loan with principal amount of HK\$7,100,000 from 27 March 2019 to 27 September 2020, the interest at a rate of 12% per annum from 28 March 2018 to 27 March 2020, then adjusted upward to 18% per annum from 28 March 2020. The loan and interest receivables were fully repaid during the year.

(c) The carrying amounts of the trade and other receivables are denominated in the following currencies

	2020 HK\$	2019 HK\$
HK\$	9,640,317	24,466,321
Singapore dollars ("SG\$")	5,680,942	10,868,286
	<b>15,321,259</b>	<b>35,334,607</b>

Details of impairment assessment of trade and other receivables are set out in note 43.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at fair value through profit or loss:

	2020 HK\$	2019 HK\$
<i>Listed securities held for trading:</i>		
Equity securities listed in the Stock Exchange	<b>686,400</b>	7,069,920

The Group's financial assets at fair value through profit or loss represents the Group's equity investments in ordinary shares of entities listed on the Stock Exchange. As at 31 December 2020, the fair value of the financial assets at fair value through profit or loss is based on the bid price quoted in the Stock Exchange at the end of the reporting period.

The Group's financial assets at fair value through profit or loss are denominated in HK\$.

### 29. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business (see note 32). The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. Cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

### 30. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2020 HK\$	2019 HK\$
Cash and bank balances	<b>83,537,833</b>	36,151,172
Time deposits	–	25,109,882
	<b>83,537,833</b>	61,261,054
Less: Pledged bank deposits ( <i>Note</i> ):		
Current portion	–	–
Non-current portion	<b>(364,233)</b>	(359,882)
Cash and cash equivalents	<b>83,173,600</b>	60,901,172

*Note:* As at 31 December 2020, a bank deposit of HK\$364,233 (2019: HK\$359,882) was pledged to a bank for a guarantee issued by the bank and will be expired after one year from the end of the reporting period, thus, reclassified to non-current assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 30. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (Continued)

Bank balances earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$261,592 (2019: HK\$248,314). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The carrying amounts of the cash and cash equivalents and pledged bank deposits are denominated in the following currencies:

	2020 HK\$	2019 HK\$
HK\$	<b>72,287,831</b>	48,116,237
SG\$	<b>8,820,781</b>	10,681,243
RMB	<b>265,394</b>	248,314
US\$	<b>2,163,827</b>	2,215,260
	<b>83,537,833</b>	61,261,054

Details of impairment assessment of cash and cash equivalents and pledged bank deposits are set out in note 43.

### 31. TRADE AND OTHER PAYABLES

	Notes	2020 HK\$	2019 HK\$
Trade payables	(a)	<b>1,701,431</b>	1,320,261
Accruals		<b>14,338,592</b>	12,398,185
Licence fee payable		<b>37,746</b>	37,746
Other payables		<b>1,671,942</b>	5,665,407
Loan and interest payable to a director	(b)	<b>1,616,000</b>	1,616,000
		<b>19,365,711</b>	21,037,599

Note:

(a) The trade payables are non-interest bearing and are normally settled from 60 to 90 days.

The following is an ageing analysis of trade payables as at the end of reporting period presented based on due date, is as follows:

	2020 HK\$	2019 HK\$
Current portion - within one year	<b>1,701,431</b>	1,320,261

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. TRADE AND OTHER PAYABLES (Continued)

Note: (Continued)

(b) The principal amount of HK\$1,616,000 (2019: HK\$1,616,000) advanced from a director is unsecured, repayable within one year and bearing interest at a rate of 1% per annum from 15 November 2018 to 14 November 2019, then adjusted downward from 1% per annum to interest-free onward from 15 November 2019.

(c) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2020 HK\$	2019 HK\$
HK\$	11,389,997	11,933,637
SG\$	3,944,706	5,034,327
RMB	7,858	14,832
US\$	4,023,150	4,054,803
	<b>19,365,711</b>	21,037,599

## 32. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group (see note 29).

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

## 33. CONTRACT LIABILITIES

	2020 HK\$	2019 HK\$
Contract liabilities arising from – Advertising and media services	<b>3,527,080</b>	1,722,968

Contract liabilities represent payment received in advance from customers or payment due from customers for the billings in advance of performance obligation in connection with the Group's advertising and media services. Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer services to the customers. As at end of the reporting period, all of the Group's contract liabilities are classified as current.

All contract liabilities are non-interest bearing.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 33. CONTRACT LIABILITIES (Continued)

The movements in contract liabilities during the years ended 31 December 2020 and 2019 are as follows:

	2020 HK\$	2019 HK\$
Balance at 1 January	1,722,968	5,802,789
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(1,722,968)	(5,802,789)
Increase in contract liabilities as a result of payment received in advance from customers or billing in advance of performance obligation	3,527,080	1,722,968
<b>Balance at 31 December</b>	<b>3,527,080</b>	<b>1,722,968</b>

The increase in balance of contract liabilities was mainly due to the increase in payment received in advance from customers and billing to customers in advance of performance obligation.

### 34. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain insignificant deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 HK\$	2019 HK\$
Deferred tax assets	–	38,575
Deferred tax liabilities	–	(38,575)
	–	–

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

	Accelerated tax depreciation HK\$	Tax loss HK\$	Total HK\$
At 1 January 2019	–	–	–
Deferred tax charged (credited) to profit or loss during the year	38,575	(38,575)	–
At 31 December 2019 and 1 January 2020	<b>38,575</b>	<b>(38,575)</b>	–
Deferred tax charged (credited) to profit or loss during the year	<b>(38,575)</b>	<b>38,575</b>	–
<b>At 31 December 2020</b>	<b>–</b>	<b>–</b>	<b>–</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 34. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of HK\$16,514,434 (2019: HK\$11,174,508) in respect of unrecognised tax losses of HK\$99,470,722 (2019: HK\$67,168,123). The tax losses can be carried forward against future taxable income with no expiry date.

Other than the above, the directors of the Company consider that the Group did not have any significant unrecognised deferred tax assets or liabilities at the end of the reporting period.

### 35. SHARE CAPITAL

	2020 HK\$	2019 HK\$
<b>Authorised:</b>		
50,000,000,000 ordinary shares of HK\$0.01 each (2019: 5,000,000,000 ordinary shares of HK\$0.1 each)	<b>500,000,000</b>	500,000,000
<b>Issued and fully paid:</b>		
57,354,612 ordinary shares of HK\$0.01 each (2019: 1,147,092,240 ordinary shares of HK\$0.1 each)	<b>573,546</b>	114,709,224

The movements in authorised and issued share capital of the Company during the year were as follows:

	Authorised shares		Issued shares	
	No. of shares	Total HK\$	No. of shares	Total HK\$
At 1 January 2019, 31 December 2019 and 1 January 2020	5,000,000,000	500,000,000	1,147,092,240	114,709,224
Share Consolidation	(4,750,000,000)	–	(1,089,737,628)	–
Share Sub-division	49,750,000,000	–	–	–
Capital Reduction	–	–	–	(114,135,678)
<b>At 31 December 2020</b>	<b>50,000,000,000</b>	<b>500,000,000</b>	<b>57,354,612</b>	<b>573,546</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 35. SHARE CAPITAL (Continued)

As described in the Company's circular on 7 May 2020, the Company proposed share consolidation (the "Share Consolidation") and the proposed capital reduction (the "Capital Reduction") of issued shares and sub-division of unissued (the "Share Sub-division"):

### (i) Share Consolidation

Every twenty (20) issued and unissued existing shares of par value HK\$0.10 each in the share capital of the Company were consolidated into one (1) consolidated share of par value HK\$2.00 each in the share capital of the Company.

Upon the Share Consolidation becoming effective, all the consolidated shares rank pari passu in all respects with each other in accordance with the Memorandum and the Articles of the Company.

### (ii) Capital Reduction and Share Sub-division

Immediately following the completion of the Share Consolidation, the issued share capital of the Company be reduced by cancelling the paid up capital to the extent of HK\$1.99 on each of the then issued consolidated shares such that the par value of each issued consolidated share were reduced from HK\$2.00 to HK\$0.01.

Immediately following the completion of the Capital Reduction, each of the authorised but unissued consolidated shares with par value of HK\$2.00 each be sub-divided into two hundred (200) new Shares of par value HK\$0.01 each; and

Each of the new shares arising from the Capital Reduction and the Share Sub-division rank pari passu in all respects with each other each in accordance with the Memorandum and the Articles and have rights and privileges and be subject to the restrictions as contained in the Memorandum and the Articles of the Company.

The proposed Share Consolidation, Capital Reduction and Share Sub-division were approved by shareholders of the Company at an extraordinary general meeting held on 3 June 2020 and thus 57,354,612 consolidated shares being in issue thereafter. As a result, an amount of HK\$114,135,678 has been transferred from the Company's "share capital" account to "accumulated losses" account accordingly.

Details of the Share Consolidation, Capital Reduction and Share Sub-division are described in the Company's circular dated 7 May 2020 and the Company's announcement dated 3 June 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 36. SHARE-BASED PAYMENT TRANSACTIONS

### Pre-IPO share option scheme

Pursuant to the written resolutions of the shareholders dated 26 March 2011, selected executive directors and employees are granted a total share option of 12,300,000 shares (the "Pre-IPO Share Option") under the Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme"). The exercise price per share under the Pre-IPO Share Option Scheme shall be equal to the placing price (i.e. HK\$0.72 per share). Each of the Pre-IPO Share Option has a 10-year exercisable period, from 28 July 2011, and ending on the expiration of the tenth anniversary of the date of acceptance of the grant of options, on 27 July 2021 ("Expiry Date").

Commencing from the date on which trading in the shares of the Company first commenced on the Hong Kong Stock Exchange, being the Listing Date, the expiry of the first six months, each month thereafter up to the eleventh month and the twelfth month after the Listing Date, the relevant grantee may exercise options up to 50%, additional 8% each month and 100% respectively.

The fair value of the share options granted on 30 June 2011, determined using the binomial model (the "Model"), ranges from HK\$0.31 to HK\$0.36 per option. The significant inputs into the Model were share price of HK\$0.72 at the grant date, exercise price shown above, expected dividend yield rate of 0%, an expected option life of ten years and expected volatility of 73%. The volatility measured is based on the average annualised standard deviations of the continuously compounded rates of return on the share prices of comparable companies with similar business operation.

No expense was recognised in the profit or loss since there was no share options granted to directors and employees in current year (2019: Nil). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### Pre-IPO share option scheme (Continued)

Movements in the number of share options outstanding and their related exercise prices are as follows:

	2020		2019	
	Weighted average exercise price in HK\$ per share option	Number of share options	Weighted average exercise price in HK\$ per share option	Number of share options
At 1 January	55.32	44,536	55.29	70,224
Forfeited	–	–	55.22	(25,688)
At 31 December	55.32	44,536	55.32	44,536

At the end of reporting period, the Company had 44,536 (2019: 44,536) share options outstanding under the scheme and these were exercisable in full as at 31 December 2020.

The weighted average exercise price of the share options has been adjusted as a result of the Share Consolidation, as further detailed in note 35.

As a result of the Share Consolidation, the number of outstanding options that have been granted under the Pre-IPO Share Option Scheme have been adjusted in accordance with the terms and conditions of the Pre-IPO Share Option Scheme.

### 37. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme and Central Provident Fund Scheme for all qualifying employees in Hong Kong and Singapore respectively. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes at rates specified in the rules of these schemes, which contribution is matched by employees.

The total expense recognised in profit or loss of HK\$1,934,344 (2019: HK\$2,581,070) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2020, contributions of HK\$165,112 (2019: HK\$215,089) due in respect of the year ended 31 December 2020 (2019) had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 38. NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2020	2019
Percentage of equity held by non-controlling interests:		
Stan Lee Global Entertainment LLC ("SLGE")	<b>25.00%</b>	25.00%
Cornerstone Securities Limited ("CSL")	<b>8.81%</b>	8.81%
	<b>2020</b>	2019
	<b>HK\$</b>	<b>HK\$</b>
(Loss)/profit for the year allocated to non-controlling interests:		
SLGE	<b>(5,841)</b>	(13,741)
CSL	<b>(1,040,550)</b>	1,031,380
Individually immaterial subsidiaries with non-controlling interests	<b>(69,223)</b>	(169,984)
	<b>(1,115,614)</b>	847,655
Accumulated balances of non-controlling interest at the reporting date:		
SLGE	<b>(3,402,558)</b>	(3,428,115)
CSL	<b>20,763,819</b>	21,804,368
Individually immaterial subsidiaries with non-controlling interests	<b>(266,705)</b>	(167,700)
	<b>17,094,556</b>	18,208,553

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intergroup eliminations.

2020	SLGE HK\$	CSL HK\$
Revenue	–	<b>13,393,005</b>
Total expenses	<b>(23,366)</b>	<b>(30,026,182)</b>
(Loss) profit for the year	<b>(23,366)</b>	<b>(11,811,006)</b>
Total comprehensive (expense) income for the year	<b>(23,366)</b>	<b>(11,811,006)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 38. NON-CONTROLLING INTERESTS (Continued)

2020	SLGE HK\$	CSL HK\$
Current assets	2,261,841	269,872,383
Non-current assets	–	2,725,092
Current liabilities	(15,581,727)	(8,716,148)
Non-current liabilities	–	(665,586)
Net cash flows (used in) from operating activities	(186,055)	41,242,277
Net cash flows used in investing activities	–	(10,571,284)
Net cash flows used in financing activities	–	(1,107,745)
Net (decrease) increase in cash and cash equivalents	(186,055)	29,563,248
2019	SLGE HK\$	CSL HK\$
Revenue	–	14,426,572
Total expenses	(58,283)	(1,084,905)
(Loss) profit for the year	(58,283)	11,706,926
Total comprehensive (expense) income for the year	(58,283)	11,706,926
Current assets	2,304,286	291,863,085
Non-current assets	–	1,926,245
Current liabilities	(15,663,400)	(18,762,582)
Non-current liabilities	–	(315,443)
Net cash flows (used in) from operating activities	(65,080)	10,311,215
Net cash flows used in from investing activities	–	(14,202,202)
Net cash flows used in financing activities	–	(991,711)
Net decrease in cash and cash equivalents	(65,080)	(4,882,698)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

During the year ended 31 December 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$21,907,475 and HK\$21,907,475 respectively, in respect of lease arrangements land and buildings and outdoor billboard spaces (2019: HK\$35,196,403 and HK\$35,196,403).

#### (b) Changes in liabilities arising from financing activities

##### 2020

	Amount due to a director included in trade and other payable HK\$	Lease liabilities HK\$
At 1 January 2020	<b>1,616,000</b>	<b>36,789,810</b>
Changes from financing cash flows	–	<b>(13,225,743)</b>
New leases	–	<b>21,907,475</b>
Foreign exchange movement	–	<b>57,785</b>
Interest expense	–	<b>1,230,547</b>
Termination of lease contracts	–	<b>(5,490,958)</b>
Rent concession	–	<b>(3,863,237)</b>
At 31 December 2020	<b>1,616,000</b>	<b>37,405,679</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (b) Changes in liabilities arising from financing activities (Continued)

2019

	Amount due to a director included in trade and other payable HK\$	Lease liabilities HK\$
At 31 December 2018	1,602,060	–
Effect of adoption of HKFRS 16	–	13,839,907
At 1 January 2019	1,602,060	13,839,907
Changes from financing cash flows	16,000	(11,523,881)
New leases	–	35,196,403
Foreign exchange movement	–	(22,973)
Interest expense	13,940	885,003
Interest paid classified as operating cash flows	(16,000)	–
Decrease arising from disposal of a subsidiary	–	(1,584,649)
At 31 December 2019	1,616,000	36,789,810



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 40. DISPOSAL OF A SUBSIDIARY

As disclosed in note 13 to the consolidated financial statements, during the year ended 31 December 2019, the Group disposed of its equity interest in Babysteps, and the assets and liabilities disposed of at the disposal date were as below:

Analysis of cash flows in respect of Babysteps for the year ended 31 December 2019 is as follows:

	HK\$
Net liabilities disposed of:	
Property, plant and equipment	5,285
Right-of-use assets	1,584,788
Other receivable, deposit and prepayment	19,160
Cash and cash equivalents	10
Accrued expenses	(139,822)
Lease liabilities	(1,584,649)
Contract liabilities	(132,192)
Non-controlling interest	1,598,794
	<b>1,351,374</b>
Loss on disposal of a subsidiary	<b>(1,351,373)</b>
	<b>1</b>
Satisfied by cash:	
Cash	1
An analysis of the net outflow of cash and cash equivalent in respect of the disposal of a subsidiary is as follows:	
Cash consideration	1
Cash and bank balances disposed of	(10)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<b>(9)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 41. RELATED PARTY TRANSACTIONS

Saves as disclosed elsewhere in these financial statements, the group had the following transactions and balances with related parties during the year.

- (a) The Group has an outstanding principal amount of HK\$1,616,000 (2019: HK\$1,616,000) as at 31 December 2020 due to An Xilei, a director of the Company. Details of which are set out in note 31(b) to the consolidated financial statements.
- (b) As at 31 December 2020, the Group has an outstanding principal amount of HK\$1,091,251 (2019: HK\$1,091,251) due from Wisefit Smooth Limited, an associate of the Company. Details of which are set out in note 23 to the consolidated financial statements.
- (c) Compensation of key management personnel of the Group

	2020 HK\$	2019 HK\$
Salaries, wages and allowances	2,716,803	3,990,000
Pension costs – defined contribution plans	23,000	48,000
Performance related bonus	–	–
Other post-employment benefits	726,000	768,000
	<b>3,465,803</b>	4,806,000

Further details of directors and the chief executive's remuneration are included in note 16 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 42. FINANCIAL INSTRUMENTS BY CATEGORY

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

**2020**

### *Financial assets*

	Mandatorily designated as such HK\$	Financial asset at amortised cost HK\$	Total HK\$
Margin loans receivable	–	114,514,399	114,514,399
Trade receivables	–	9,553,826	9,553,826
Financial assets included in prepayments, other receivables and other assets	–	5,073,363	5,073,363
Equity investments at fair value through profit or loss	686,400	–	686,400
Pledged deposits	–	364,233	364,233
Cash held on behalf of brokerage clients	–	5,640,062	5,640,062
Cash and cash equivalents	–	83,173,600	83,173,600
	<b>686,400</b>	<b>218,319,483</b>	<b>219,005,883</b>

### *Financial liabilities*

	Financial liabilities at amortised cost HK\$
Trade payables	1,701,431
Financial liabilities included in other payables	17,664,280
Accounts payable to brokerage clients	5,640,062
Lease liabilities	37,405,679
	<b>62,411,452</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 42. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2019

### *Financial assets*

	Mandatorily designated as such HK\$	Financial asset at amortised cost HK\$	Total HK\$
Margin loans receivable	–	162,189,933	162,189,933
Trade receivables	–	17,365,852	17,365,852
Financial assets included in prepayments, other receivables and other assets	–	16,657,717	16,657,717
Loan to an associate	–	1,091,251	1,091,251
Equity investments at fair value through profit or loss	7,069,920	–	7,069,920
Pledged deposits	–	359,882	359,882
Cash held on behalf of brokerage clients	–	8,937,966	8,937,966
Cash and cash equivalents	–	60,901,172	60,901,172
	7,069,920	267,503,773	274,573,693

### *Financial liabilities*

	Financial liabilities at amortised cost HK\$
Trade payables	1,320,261
Financial liabilities included in other payables	19,717,338
Accounts payable to brokerage clients	14,184,860
Lease liabilities	36,789,810
	72,012,269

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### (a) Foreign currency risk

The Group operates in Hong Kong, Singapore and the United States and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("US\$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operation.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group mitigates this risk by maintaining HK\$ and US\$ bank accounts to pay for the transactions denominated in these currencies. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

In the opinion of the directors of the Company, HK\$ are reasonably stable with US\$ under the Linked Exchange Rate System, and accordingly, the Group does not have any significant foreign exchange risk in respect of transactions or balances as denominated in US\$. Accordingly, no sensitivity analysis is performed on US\$.

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

The Group's credit risk is primarily attributable to deposits with banks, trade and other receivables and margin loans receivable, equity instruments at fair value through profit or loss, amount due from non-controlling interest. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

##### ***Trade receivables arising from contracts with customers***

Trade receivables have an average credit period of 30 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. Individual credit evaluations are performed by the Group on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The management of the Company determine to assess the impairment of trade receivables in accordance with simplified approach. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

##### *Trade receivables arising from contracts with customers (Continued)*

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

	Current	0-30 days	Past due 31-60 days	Over 60 days	Total
<b>At 31 December 2020</b>					
Expected credit loss rate (%)	0.03%	0.92%	1.43%	5.89%	1.08%
Gross carrying amount (HK\$)	4,598,150	2,853,439	1,184,246	1,022,699	9,658,534
Expected credit losses (HK\$)	1,307	26,249	16,887	60,265	104,708

At 31 December 2019

Expected credit loss rate (%)	0.10%	0.14%	0.17%	6.49%	1.20%
Gross carrying amount (HK\$)	9,379,836	3,227,195	1,991,104	2,978,707	17,576,842
Expected credit losses (HK\$)	9,684	4,658	3,427	193,221	210,990

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

	2020 HK\$	2019 HK\$
At beginning of year	210,990	544,056
Reversal of impairment loss of trade receivables (note 11)	(109,618)	(333,066)
Exchange realignment	3,336	–
At end of year	104,708	210,990

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

#### *Margin loan receivables*

At 31 December 2020, the collaterals furnished by the margin clients for security of their loans and advances from the Group are listed securities, which are listed in Hong Kong. The total market value of securities amounted to HK\$112,585,219 (2019: HK\$351,608,688) and margin loans receivable amounted to HK\$114,514,399 (2019: HK\$162,189,933). The maximum exposure to credit risk before collateral held or other credit enhancements approximates to the carrying value.

The management estimates the amount of ECL of margin loan receivables based on the assessments considering the probability of default, expected recovery rates from loss given default, forward-looking information and macroeconomic environment as well as the fair value of the collateral pledged by the customers to the margin loan receivables. Based on above assessments, the management, estimated impairment regarding ECL for margin loan receivables of HK\$14,345,778 that was recognised during the year ended 31 December 2020 (2019: Nil). The management of the Company determine to assess the impairment of margin loan receivables in accordance with general approach.

The movements in the allowance for credit loss of margin loans receivable are as follows:

	2020 HK\$	2019 HK\$
At beginning of year	–	–
Impairment loss of margin loan receivable (note 11)	<b>14,345,778</b>	–
At end of year	<b>14,345,778</b>	–

#### *Bank balances and pledged bank deposits*

Credit risk on bank balances and pledged bank deposits is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12-month ECL for bank balances and pledged bank deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on bank balances and pledged bank deposits is considered to be insignificant and therefore no loss allowance was recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

#### *Other receivables and deposits*

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. For the year ended 31 December 2020 and 2019, the Group assessed the ECL for other receivables and deposits and no impairment should be provided for the year ended 31 December 2020 and HK\$100,000 impairment loss was provided for the year ended 31 December 2019 respectively.

#### *Maximum exposure and year-end staging*

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

The amounts presented are gross carrying amounts for financial assets.

#### **As at 31 December 2020**

	12-month ECL		Lifetime ECL		Simplified approach HK\$	Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$			
Margin loans receivable	19,403,032	109,457,145	–	–	–	128,860,177
Trade receivables	–	–	–	–	9,658,534	9,658,534
Financial assets included in prepayments, other receivables and other assets						
– Normal	5,073,363	–	–	–	–	5,073,363
Pledged deposits	364,233	–	–	–	–	364,233
Cash held on behalf of brokerage	5,640,062	–	–	–	–	5,640,062
Cash and cash equivalents	83,173,600	–	–	–	–	83,173,600
	113,654,290	109,457,145	–	–	9,658,534	232,769,969



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

As at 31 December 2019

	12-month ECL		Lifetime ECL		Simplified approach HK\$	Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$			
Margin loans receivable	162,189,933	–	–	–	–	162,189,933
Trade receivables	–	–	–	–	17,576,842	17,576,842
Financial assets included in prepayments, other receivables and other assets						
– Normal	16,657,717	–	–	–	–	16,657,717
Loan to an associate	1,091,251	–	–	–	–	1,091,251
Pledged deposits	359,882	–	–	–	–	359,882
Cash held on behalf of brokerage	8,937,966	–	–	–	–	8,937,966
Cash and cash equivalents	60,901,172	–	–	–	–	60,901,172
	250,137,921	–	–	–	17,576,842	267,714,763

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet its liquidity requirements in the short and long term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand HK\$	Within 1 year HK\$	1 to 5 years HK\$	Total HK\$
<b>At 31 December 2020</b>				
Trade and other payables	–	19,365,711	–	19,365,711
Accounts payable to brokerage clients	–	5,640,062	–	5,640,062
Lease liabilities	–	12,931,762	26,763,015	39,694,777
<b>At 31 December 2019</b>				
Trade and other payables	–	21,479,757	–	21,479,757
Accounts payable to brokerage clients	–	14,184,860	–	14,184,860
Lease liabilities	–	15,301,028	23,913,558	39,214,586

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (d) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at fair value through profit or loss. For equity securities measured at fair value through profit or loss quoted in The Stock Exchange of Hong Kong Limited, the management of the Group considered the risk of this exposure is insignificant as the amount of the investment is immaterial.

#### *Sensitivity analysis*

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis of equity securities with fair value measurement categorised within Level 1, the sensitivity rate is increased to 10% in 2020 as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% (2019: 10%) higher/lower, the post-tax result for the year ended 31 December 2020 would increase/decrease by HK\$68,640 (2019: increase/decrease by HK\$706,992) as a result of the changes in fair value of investments at fair value through profit or loss.

## 44. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Net debt is calculated as total borrowing (including "amount due to a director" as included in "trade and other payables" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2020 and 2019 were as follows:

	2020 HK\$	2019 HK\$
Total borrowing	<b>1,616,000</b>	1,616,000
Less: Cash and cash equivalents	<b>(83,173,600)</b>	(60,901,172)
Net debt	<b>(81,557,600)</b>	(59,285,172)
Total equity	<b>184,996,576</b>	244,229,882
Total capital	<b>103,438,976</b>	184,944,710
Gearing ratio	<b>1.6%</b>	0.7%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 45. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Management has assessed the fair values of the Group's financial assets and financial liabilities are approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of listed equity investments is based on quoted market prices.

For the fair value of the unlisted equity investments at fair value through profit or loss, which were previously classified as available-for-sale equity investments, management has estimated the potential effect of using reasonably possible alternatives as inputs for its fair value by using the latest transaction price.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$
	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
<b>As at 31 December 2020</b>				
Equity instruments at fair value through profit or loss	<b>686,400</b>	–	–	<b>686,400</b>
<b>As at 31 December 2019</b>				
Equity instruments at fair value through profit or loss	7,069,920	–	–	7,069,920

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (2019: Nil). The Group did not have any significant financial liabilities measured at fair value as at 31 December 2020 and 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 46. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY

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

	2020 HK\$	2019 HK\$
<b>Non-current assets</b>		
Plant and equipment	11,683	151,871
Right-of-use assets	–	2,900,941
Interests in subsidiaries	10,946,197	13,676,206
	<b>10,957,880</b>	16,729,018
<b>Current assets</b>		
Deposits, prepayments and other receivables	1,245,481	9,024,413
Amounts due from subsidiaries	253,818,117	285,984,580
Cash and cash equivalents	1,399,130	3,444,946
	<b>256,462,728</b>	298,453,939
<b>Current liabilities</b>		
Accruals and other payables	3,242,000	5,666,000
Lease liabilities	8,311	2,999,409
Amounts due to subsidiaries	84,909,521	75,326,450
	<b>88,159,832</b>	83,991,859
<b>Net current assets</b>	<b>168,302,896</b>	214,462,080
<b>NET ASSETS</b>	<b>179,260,776</b>	231,191,098
<b>Capital and reserves</b>		
Share capital	573,546	114,709,224
Reserves (Note)	178,687,230	116,481,874
<b>TOTAL EQUITY</b>	<b>179,260,776</b>	231,191,098

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 29 March 2021 and are signed on its behalf by:

**Gao Ran**  
Director

**An Xilei**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 46. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

Note:

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

	Share premium HK\$	Other reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2019	552,932,232	2,020,536	(415,936,536)	139,016,232
Loss for the year	–	–	(22,534,358)	(22,534,358)
At 31 December 2019 and 1 January 2020	<b>552,932,232</b>	<b>2,020,536</b>	<b>(438,470,894)</b>	<b>116,481,874</b>
Capital Reduction (see note 35)	–	–	<b>114,135,678</b>	<b>114,135,678</b>
Loss for the year	–	–	<b>(51,930,322)</b>	<b>(51,930,322)</b>
<b>At 31 December 2020</b>	<b>552,932,232</b>	<b>2,020,536</b>	<b>(376,265,538)</b>	<b>178,687,230</b>

## 47. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2020 (2019: Nil).

## 48. EVENTS AFTER REPORTING PERIOD

Saved as disclosed elsewhere in these consolidated financial statements, the Group had the following significant events after the reporting period:

### COVID-19

Upon the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. As at the date of these financial statements were authorised to issue, the related impact on the consolidated results of operations, cash flows and financial conditions of the Group could not be reasonably estimated at this stage and will be reflected in their consolidated interim financial statements for the six months period ending 31 December 2020 and consolidated financial statements for the year ending 31 December 2021. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

## 48. EVENTS AFTER REPORTING PERIOD (Continued)

### Proposed Rights issue

As described in the Company's announcement dated 27 January 2021, the board of the Company proposed a rights issue on the basis of four rights shares for every one share held by the shareholders of the Company at the subscription price of HK\$0.142 per rights share. Net proceeds of HK\$30,037,000 were expected to be raised as a result of the rights issue of a total of 229,418,448 new shares. The rights issue was not approved by the shareholders of the Company at the extraordinary general meeting on 22 March 2021. Details of the rights issue are set out in the announcement of the Company dated 27 January 2021, 26 February 2021, 22 March 2021 and the circular of the Company dated 1 March 2021, respectively.

## 49. RECLASSIFICATION

During the year, the Group has changed the classification of "other income", "other gains and losses" and "(impairment losses) reversal of impairment losses recognised" (previously included in "other income and gains, net"). The directors of the Company consider the new presentation is more appropriate. In order to conform to the current year's classification, "other income", "other gains and losses" and "reversal of impairment loss (impairment loss) recognised" amounted to HK\$3,002,542, HK\$4,011,761 and HK\$233,066 for the year ended 31 December 2019 were reclassified from "other income and gains, net" to "other income", "other gains and losses" and "(impairment losses) reversal of impairment loss recognised", respectively. In addition, the Group has changed the classification on trade and other payables and contract liabilities (previously presented as "deferred revenue"). The directors of the Company consider that the new presentation is more appropriate. In order to conform to the current year's classification, contract liabilities of HK\$442,158 as at 31 December 2019 was reclassified from "trade and other payables". Certain comparative figures for the year ended 31 December 2019 of the consolidated statement of cash flows were reclassified accordingly.

## 50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2021.



基石金融控股有限公司

CORNERSTONE FINANCIAL HOLDINGS LIMITED