STOCK CODE: 8088

AID LIFE SCIENCE

AID Life Science Holdings Limited

滙友生命科學控股有限公司*

Annual Report 2020

* For identification purpose only

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This report, for which the directors of 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 for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement in this report misleading.

Contents

Expressed in Hong Kong dollars ("HK$")

The Chinese version of this annual report is provided for reference only. In the event of any inconsistency between the Chinese and English versions, the English version shall prevail.

This annual report is printed on environmentally friendly paper

About
AID LIFE SCIENCE HOLDINGS LIMITED

AID Life Science Holdings Limited
("AID Life" or the "Company" and, together with its subsidiaries, the "Group") is a strategic investment group listed on GEM (stock code: 8088).

The Group is engaged in the business of strategic investment.

Management Discussion and Analysis

OVERVIEW

During the year under review, despite the outbreak of COVID-19 and the liquidity issue posed by the maturity of the convertible bonds, the Group continued to operate its strategic investment business and underwent restructuring with the assistance of the joint provisional liquidators, with an objective to enhance the value of the Group, and hence maximise the return of the shareholders:

BUSINESS REVIEW

(a) Disposal of Investments

(i) Disposal of AID Partners Autonomous GP Ltd (the "General Partner")

On 26 May 2020, the Group entered into the sale and purchase agreement (the "Agreement") with an independent third party (the "Purchaser"), pursuant to which the Group has conditionally agreed to sell and the Purchaser has agreed to purchase the entire share capital of the General Partner, a wholly-owned subsidiary of the Group, at a cash consideration of US$270,000 (equivalent to approximately HK$2,106,000). A gain on disposal of the General Partner of approximately HK$2.1 million was recognised in profit or loss during the year.

On 10 July 2020, the shareholders of the Company passed an ordinary resolution at the extraordinary general meeting to approve the Agreement. Upon completion of the Agreement on 13 July 2020, the Group ceases to have any equity interest in the General Partner and the General Partner ceases to be a subsidiary of the Group. As the Group has ceased to have management and investment control over AID Partners Autonomous, LP (the "Partnership") through the General Partner, the Partnership and its subsidiaries have ceased to be accounted for as subsidiaries of the Group notwithstanding that the Group would still retain its capital contribution to the Partnership.

Details of this disposal were set out in the announcement and circular of the Company dated 26 May 2020 and 23 June 2020 respectively.

(ii) Disposal of Captain Win Limited ("Captain Win")

On 24 November 2020, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Group has conditionally agreed to sell and the Purchaser has agreed to purchase the entire share capital of Captain Win, a wholly-owned subsidiary of the Group, at a cash consideration of HK$100,000. A gain on disposal of Captain Win of approximately HK$0.5 million was recognised in profit or loss during the year. Such disposal did not constitute a notifiable transaction on the Company under the GEM Listing Rules.

(b) Debt Restructuring

The Company issued the 8% convertible bonds in the principal amount of HK$140 million in 2015 with a maturity date in July 2020. In this regard, the Company implemented a management-led restructuring under a court-supervised provisional liquidation regime. In February 2021, the Company completed a restructuring of its major debt with its maturity date having been extended for 18 months, and thereby the liquidity issue of the Company has been resolved. Details of the restructuring were set out in the announcements of the Company dated 4 August 2020, 6 August 2020 and 1 March 2021.

Management Discussion and Analysis

(c) Impact of outbreak of Coronavirus Disease 2019 ("COVID-19")

As a result of outbreak of COVID-19 in early 2020, there were significant changes of business environment and have caused the global economy, in particular the investment industry, remain fragile and uncertain. Governments in different regions have imposed social distancing measures and believed that the pandemic would not be eradicated without effective treatment and vaccination. The Group, therefore, has closely monitored its investments and the impact of governmental pandemic response policies to the economic environment and have plans in place in response to any possible outcome. The impact to the individual investment, if any, are set forth in the below paragraphs.

(d) Selective Existing Investment Portfolio

The Group has financial assets at fair value through profit or loss in aggregate amount of approximately HK$200.4 million and HK$404.6 million as at 31 December 2020 and 2019 respectively, representing approximately 76% and 80% of the total assets of the Group as at the respective reporting dates. The following table sets out the Group's major investments as at 31 December 2020 and 2019:

Name of investments	**As at 31 December 2020** Fair value at reporting date HK$'000	**As at 31 December 2020** Approximate percentage of the total assets of the Group	As at 31 December 2019 Fair value at reporting date HK$'000	As at 31 December 2019 Approximate percentage of the total assets of the Group
AID Partners Autonomous, LP (the "Partnership") (Note (iv))				
— unlisted shares	**187,613**	**71%**	–	0%
Zoox Inc. ("Zoox") (Note (iv))				
— unlisted shares	**–**	**0%**	309,333	61%
China Creative Digital Entertainment Limited ("China Creative") (Note (v))				
— listed shares	**1,628**	**1%**	2,502	1%
— convertible bond with interest rate of 5% per annum and maturity date on 25 April 2021	**–**	**0%**	41,775	8%
Other investments	**11,199**	**4%**	51,015	10%
	200,440	**76%**	404,625	80%

Management Discussion and Analysis

Except for investments in the Partnership/Zoox and China Creative, as at 31 December 2020 and 2019, none of the Group's individual investment amounted to 10% or more of the total assets of the Group.

(i) Complete Star Limited ("CSL")

CSL is principally engaged in the development and operation of mobile games. During 2020, it continued and maintained its mobile game portfolio including the Star Girl franchise. Star Girl is a fashion role-playing game ("RPG") targeting female users in which players create a virtual female celebrity and determine her career, appearance and social life while interacting with the game world and other players. Since its release, the Star Girl franchise has accumulated a strong user base with over 100 million downloads globally. However, growth in mobile games sector has slowed down as smartphone penetration in major economies are reported at their near-saturation levels, leaving mobile apps and games developers to face stiffer competition within the market.

(ii) Honestway Global Group Limited ("HGGL")

HGGL and its subsidiaries (the "HGGL Group") are principally engaged in mobile games and online media content distribution in the People's Republic of China (the "PRC"). Since early 2018, the Mainland Chinese authorities has introduced a new regulatory regime for digital games, aimed at mitigating addiction and inappropriate contents. However, approval of titles had been slow and the game publishing industry fails to return to its pre-2018 levels. As a result, HGGL Group entered sharing economy business in 2019 by installing facilities for shared use at college and university campuses. However, the revenue generated from the shared use facilities had not reached the expected level as a result of outbreak of COVID-19, during which, the campuses were closed for a significant part of the year.

Apart from above, HGGL Group is also looking for potential new business opportunities that may utilise its experience in internet infrastructure and multi-media publishing.

(iii) Brave Entertainment Co., Ltd ("Brave Entertainment")

Brave Entertainment is a Korean pop music production and artist management company. The company is led by Mr. Dong-Cheol Kang ("DC Kang"), who is recognised as one of the most influential producers in the Korean pop industry with his stage name "Brave Brothers".

The company has cultivated 2 idol groups, namely, Brave Girls and DKB, the latter of whom had made its debut in February 2020 attracted a sizeable overseas fandom soon after. Apart from this, the company has a number of young trainee artists who are in training before making their debuts. Despite the COVID-19 pandemic in 2020, Brave Girls and DKB had released 1 and 3 mini albums respectively in 2020. In keeping up with the pandemic situation and the accelerating digital transformation, the company is also planning to hold both on and offline concerts and fan meetings in further promoting its idol groups and artists.

Management Discussion and Analysis

(iv) **The Partnership/Zoox**

The principal activities of the Partnership was the holding of equity investments in financial and emerging technologies, including Zoox. On 10 July 2020, the shareholders of the Company passed an ordinary resolution at the extraordinary general meeting to approve the disposal of the entire share capital of AID Partners Autonomous GP Ltd (the "General Partner") to an independent third party. Upon completion on 13 July 2020, the General Partner, the Partnership and its subsidiaries have ceased to be accounted for as subsidiaries of the Group; as a result, the interest in the Partnership is accounted for as a financial asset at fair value through profit or loss.

Zoox is a California-based self-driving startup founded in 2014 principally engaged in robotics and pioneering autonomous mobility-as-a-service, the company is developing a breakthrough, fully automated, electric vehicle fleet and the supporting ecosystem. During 2020, it had been reported by various news media that, Amazon.com Inc. ("Amazon", NASDAQ: AMZN) intended to acquire Zoox (the "Acquisition"), which was eventually announced by both companies and the completion of which was subject to certain closing conditions. The consideration of the Acquisition was reported to be approximately US$1.3 billion. The Acquisition was duly approved by Zoox.

As a result, fair value losses of HK$66,975,000 (2019: fair value gains of HK$47,000) was recognised for the year ended 31 December 2020 in relation to the interest in the Partnership (2019: investment in Zoox). The Group's equity interest was approximately 82.3% of issued share capital of the Partnership as at 31 December 2020 (approximately 1.8% of issued share capital of Zoox as at 31 December 2019).

(v) **China Creative (stock code: 8078)**

China Creative is principally engaged in entertainment business and artiste management services. Due to lockdown of cities and theatres shut down, the schedule of releasing new films have been postponed since the outbreak of COVID-19 in January 2020. Although following the successful containment of the COVID-19 epidemic in the PRC, the theatres are allowed to reopen at a limited degree and the film and television companies, crews and artistes have resumed to work gradually, the businesses and performance of China Creative have been disrupted nonetheless. On the other hand, in view of the rapid growth of new media platforms, it will invest more resources in media content creation, movie production and movie distribution segments.

Fair value losses of HK$874,000 and HK$17,905,000 were recognised for the year ended 31 December 2020 and 2019, respectively, in relation to the investment in listed shares of China Creative. The Group's shareholding were approximately 11.1% of issued share capital of China Creative as at 31 December 2020 and 2019. Fair value losses of HK$41,775,000 and fair value gains of HK$5,205,000 were recognised for the year ended 31 December 2020 and 2019, respectively, in relation to the investment in convertible bonds of China Creative.

Management Discussion and Analysis

(vi) Shenzhen Hooenergy Technology Company Limited* (深圳滙能新能源科技有限公司, "Hooenergy")

Hooenergy is engaged in the development and operation of electric vehicle ("EV") charging piles in the PRC. Hooenergy has established strategic collaboration with more than 30 of the top 50 property developers or management companies including AVIC Property, Poly Property, Changcheng Property, China Merchants Group, Kingkey Group and Rongchao Real Estate, 30% of which are exclusive. Hooenergy has over 16,000 chargers across China, including Shenzhen and other major cities. Moving forward, Hooenergy will continue to collaborate with more carpark operators, property management companies, as well as different strategic partners to expand its geographic market and reach.

(vii) GeneSort

GeneSort is a company incorporated in Israel principally engaged in advanced personalised molecular diagnostic services for cancer evaluation and cure. GeneSort aims to harness cutting edge technologies to elucidate the genetic DNA profile of patients, with particular focus on cancer and hereditary diseases. Besides providing comprehensive genomic profiling tests for solid tumours, hematological cancer and hereditary cancers, the company is also one of the few diagnostic companies in the world that aims to offer liquid biopsy for cancer diagnostics and prognosis monitoring utilising Next Generation Sequencing ("NGS") technology.

GeneSort was conducting research and development ("R&D") in various DNA analytical and sampling techniques for more efficient detection of tumors, however, being a company in R&D stage, it relies on the ability to obtain new funding in order to realise its R&D objectives. During 2020 and in response to the global COVID-19 pandemic, the company had attempted to work with its technological partners and to offer DNA-based virus testing solutions by utilising its expertise in DNA testing. However, such solution did not secure sufficient interests. And although the refinement to the testing solution may be possible, it would require additional funding to company. Unfortunately, the company encountered significant difficulty in obtaining new funds during the pandemic. Its management is hoping to renew the efforts in seeking new funds when the economic situation improves.

The business objective of the Company is to unlock the maximum value of the business of its investment by providing managerial and other business advice and exploring for any synergy. With the successful debt restructuring easing the liquidity issue of the Company and the growing signs of economic rebound as a result of ongoing roll-out of COVID-19 vaccines, the Group is now reset to direct its focus to actively look for strategic investment(s), being the Group's principal business. The Group will continue to (i) seize good opportunities from the potential fast growing industry; (ii) monitor and maximise the value of its investments; (iii) seek for potential strategic investment and divestment opportunities with the objective to enhance the return to its shareholders; and (iv) proactively look for new business opportunities under the Group's investment portfolio in order to maintain sustainability in the Group's consolidated business and to maximise the value of its various strategic investments globally.

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Results

Revenue for the year under review decreased to HK$4.0 million from HK$11.7 million for last year, while total operating expenses (being selling and distribution expenses and administrative and operating expenses) for the year under review decreased to HK$38.0 million from HK$61.3 million for last year.

Fair value losses on financial assets at fair value through profit or loss of HK$142 million (2019: HK$27.1 million) was recognised in profit or loss for the year under review.

A gain on the disposal of subsidiaries of approximately HK$2.5 million (2019: loss of HK$5.2 million) was recognised in profit or loss for the year under review.

Other income for the year under review increased to HK$26.0 million from HK$7.8 million for last year due to bad debt recovery of HK$13.1 million incurred during the year under review.

Finance costs for the year under review increased to HK$18.6 million from HK$16.3 million for last year, mainly represent the effective interest expense of convertible bonds of the Company with a principal amount of HK$140 million.

As a result, the Group reported a loss attributable to owners of the Company for the year under review of HK$205.6 million as compared to a loss of HK$141.5 million for last year.

Segment Results

The chief operating decision makers, which are collectively the Executive Directors of the Company, identify the Group has only one operating segment, which is strategic investment.

No separate analysis of segment information is presented by the Group for the year ended 31 December 2020 as all of the Group's revenue, results, assets and liabilities are related to the strategic investment business.

Management Discussion and Analysis

Financial Position and Resources

Significant Capital Assets and Investments

Other than the significant investments disclosed in the section of "Management Discussion and Analysis — Business Review", the Group acquired property, plant and equipment totalling HK$81,000 during the year under review.

Liquidity

As at 31 December 2020, the Group had cash and bank balances of HK$30.3 million and net current liabilities of HK$170.1 million, decreased from HK$30.9 million and decreased from net current assets of HK$196.9 million as at 31 December 2019, respectively. As at 31 December 2020, current assets and current liabilities of the Group were HK$54.2 million (31 December 2019: HK$405.1 million) and HK$224.4 million (31 December 2019: HK$208.2 million) respectively. Accordingly, the Group's current ratio was 0.2 (31 December 2019: 1.9). As detailed in Note 2.1(a), subsequent to 31 December 2020, the Company announced that the maturity date of its major debt has been extended for 18 months, hence, the adjusted current ratio was 5.8 should the debt be regarded as a non-current liability as at 31 December 2020. Further details of the Group's risk management objectives and policies and exposure to liquidity risk, and current assets and current liabilities are set out in Notes 3 and 18 to 22 to the financial statements.

Gearing

2015 HK$140 million Convertible Bonds

In July 2015, the Company entered into a subscription agreement with Hong Kong HNA Holding Group Co. Limited ("HNA") pursuant to which HNA agreed to subscribe the convertible bond in principal amount of HK$140,000,000, bearing a compound interest rate of 8% per annum (the "2015 HK$140 million Convertible Bonds"). On 20 July 2015, with the fulfilment of all the conditions required for the 2015 HK$140 million Convertible Bonds, the Company issued the 2015 HK$140 million Convertible Bonds for the investment capital of the strategic investment business of the Company as well as for the expansion of its asset management business and related financial platform and general working capital of the Group. The terms and conditions of the 2015 HK$140 million Convertible Bonds are detailed in Note 23 to the financial statements. In accordance with the terms and conditions thereof, the adjusted conversion price is HK$6.5 per share after share consolidation became effective on 14 December 2018.

The Group's gearing ratio summary at 31 December 2020 and 2019 refer to Note 3.2 to the financial statements.

Details of the Group's financial risk management objectives and policies and exposure to capital risk are set out in Note 3 to the financial statements.

Management Discussion and Analysis

Charges

There were no significant charges on the Group's investments and assets as at 31 December 2020.

Commitments and Contingent Liabilities

The Group had no material capital commitments and contingent liabilities as at 31 December 2020.

Equity Structure

An analysis of the movements in equity during the year under review is set out in the consolidated statement of changes in equity on page 63 of the financial statements.

As at 31 December 2020, the total issued share capital of the Company was 549,982,005 ordinary shares, increased from 545,107,005 ordinary shares as at 31 December 2019 due to the issuance of remuneration shares as compensation for consultancy service during the year under review. Details of the movements in share capital are set out in Note 25 to the financial statements.

Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the year under review.

As at 31 December 2020, the Company had 560,097 share options outstanding under the Company's 2002 Share Option Scheme of which were all exercisable.

As at 31 December 2020, the Company had 32,626,750 share options outstanding under the Company's 2014 Share Option Scheme of which were all exercisable. The Company can grant a further 54,023,200 options pursuant to the existing shareholder mandate limit.

EMPLOYEE INFORMATION

As at 31 December 2020, the Group had 26 full-time employees (2019: 40) across the entire Group. Employee remuneration (including directors' remuneration) totalled HK$14.8 million (2019: HK$21.9 million). The remuneration packages of the Group's Directors and employees are kept at a competitive level to attract, retain and motivate Directors and employees of the quality required to run the Group successfully. In general, remuneration consists of a combination of a fixed salary paid in cash and a performance linked bonus paid in cash and options. A portion of the bonus may be deferred subject to the achievement of certain pre-determined targets and conditions. The Group's remuneration policies and practices are reviewed annually and benchmarked against sectors of financial and banking institutions.

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes are set out in Note 2.18(ii) to the financial statements.

FOREIGN CURRENCY EXPOSURE

Details of the Group's financial risk management objectives and policies and exposure to foreign currency risk are set out in Note 3 to the financial statements.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS

During the year under review, other than the significant disposals as detailed in Note 31 to the financial statements, the Group made no other significant acquisition or disposal of subsidiaries or affiliated companies.

CONTRACTUAL ARRANGEMENTS

The Group, through its wholly-owned subsidiary HGGL, indirectly owned a wholly-foreign-owned-enterprise, 深圳八零八八科技有限公司 ("WFOE"), which has entered into the corresponding contractual arrangements to control and operate a foreign restricted business, namely 上海威搜游科技有限公司 ("VSOYOU") under the relevant PRC laws and regulations (the "Contractual Arrangements").

PARTICULARS OF VSOYOU AND ITS REGISTERED OWNERS, AND A SUMMARY OF THE MAJOR TERMS OF THE CONTRACTUAL AGREEMENTS

VSOYOU is a company with limited liability established in the PRC, its registered owners are 張永鋒先生 (Mr. Zhang Yong Feng*) and 陳曉萍女士 (Ms. Chen Xiao Ping*). A summary of the major terms of the Contractual Arrangements has been published on the website of the Company.

DESCRIPTION OF VSOYOU'S BUSINESS ACTIVITIES AND THEIR SIGNIFICANCE TO THE GROUP

VSOYOU and its subsidiaries are primarily engaged in the development and operation of mobile-online games business in the PRC. The net asset value of VSOYOU was approximately HK$5,091,000 and HK$26,361,000 as at 31 December 2020 and 2019, respectively, which represents approximately 14.5% and 9.1% of the Group's net assets as at 31 December 2020 and 2019, respectively. The revenue of VSOYOU was approximately HK$2,433,000 and HK$8,893,000 for the year ended 31 December 2020 and 2019, respectively, which represents approximately 60% and 76% of the Group's revenue for the year ended 31 December 2020 and 2019, respectively. The net loss of VSOYOU was approximately HK$8,622,000 and HK$3,467,000 for the year ended 31 December 2020 and 2019, respectively.

REASON FOR USING THE CONTRACTUAL ARRANGEMENTS

As advised by the PRC legal adviser, VSOYOU is primarily engaged in the development and operation of mobile-online games business and is considered to be engaged in the provision of value-added telecommunication services and internet cultural business. Pursuant to the applicable PRC laws and regulations, the said business of VSOYOU is subject to prohibition on foreign investment. Shareholders of VSOYOU are required to be PRC domestic natural persons, enterprise legal persons or other social organisations and foreign investors are not allowed to directly invest in VSOYOU. As such, the Group cannot acquire the equity interest in VSOYOU at that time. Having regard to such foreign investment restrictions, the Contractual Arrangements were designed to provide WFOE and, thus the Group with effective control over the financial and operational policies of VSOYOU and (to the extent permitted by PRC laws and regulations) the right to acquire the equity interest in VSOYOU.

Management Discussion and Analysis

RISKS ASSOCIATED WITH THE CONTRACTUAL ARRANGEMENTS AND ACTIONS TAKEN BY THE COMPANY TO MITIGATE THE RISKS

WFOE does not have any direct equity ownership in VSOYOU and will have to rely on the Contractual Arrangements to control, operate, and be entitled to the economic benefits and risks arising from the value-added telecommunication services and internet cultural business in the PRC conducted through VSOYOU. However, there are risks involved with the operations of WFOE's business under the Contractual Arrangements, as the case may be.

(i) There is no assurance that the Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Contractual Arrangements do not comply with applicable regulations.

(ii) The Contractual Arrangements may not be as effective in providing control over and entitlement to the economic interests in VSOYOU as direct ownership.

(iii) Potential conflicts of interest among WFOE, VSOYOU and existing shareholder(s) of VSOYOU may exist.

(iv) The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed.

(v) WFOE's ability to acquire the entire equity interests in or assets of VSOYOU may be subject to various limitations and substantial costs.

(vi) Certain terms of the Contractual Arrangements may not be enforceable under the PRC laws.

In light of the above risks associated with the Contractual Arrangements, the Group has adopted a set of procedures, systems and internal control measures to ensure the sound and effective operation of the Group and the implementation of the Contractual Arrangements. Such procedures, systems and internal control measures include (i) regular discussions of matters relating to compliance and regulatory enquiries from governmental authorities, if any, by the board of directors of the Company at board meetings; and (ii) retaining legal adviser and/or other professional to assist the Group to deal with specific issues arising from the Contractual Arrangements, if so required.

MATERIAL CHANGE OR UNWINDING OF THE CONTRACTUAL ARRANGEMENTS

There was no material change or unwinding of the Contractual Arrangements since the date of the Contractual Arrangements were entered into up to the date of this report.

* For identification purpose only

Profiles of Directors

Ms. Chan Suet Ngan

Ms. Chan, aged 50, joined the Board in January 2018, and was appointed as an Executive Director. Ms. Chan was appointed as the Company Secretary of the Company in November 2013. Ms. Chan is currently the chairman of Nomination Committee of the Board, the Authorised Representative, the Head of Finance and Company Secretariat of the Company and is responsible for overseeing the finance and accounting operations as well as compliance of policies, rules and procedures in relation to accounting matters of the Group. She also acts as director of certain subsidiaries of the Group. Ms. Chan possesses over 19 years experience in the fields of accounting, finance and company secretariat. Before joining the Company, she held senior position in the accounts and finance department in a listed company in Hong Kong.

Ms. Chan is a member of CPA Australia and is also a member of the Hong Kong Institute of Certified Public Accountants. She obtained her Bachelor of Commerce degree from the University of Auckland, New Zealand.

Mr. Hu Kenneth

Mr. Hu Kenneth, aged 34, joined the Board in January 2018, and was appointed as an Executive Director. Mr. Hu Kenneth is also the member of the Remuneration Committee of the Board, the Compliance Officer and the Authorised Representative of the Company. He has served various key roles across several functions in the Group since joining the Group in 2015. Mr. Hu Kenneth has accumulated extensive experience and deep understanding in corporate strategy management, innovation management, financial and investment through these managerial roles within the Group. He also acts as director of certain subsidiaries of the Group.

Mr. Hu Kenneth obtained a Bachelor of Commerce degree from the University of Queensland, Australia.

Mr. Yuen Kwok On

Mr. Yuen, aged 55, joined the Board in July 2013, and was appointed as an Independent Non-Executive Director. Mr. Yuen is also the chairman of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee of the Board. He has extensive experience in financial analysis, risk control and mergers and acquisitions. Prior to joining the Company, Mr. Yuen was the chief financial officer and company secretary of Orange Sky Golden Harvest Entertainment (Holdings) Limited ("OSGH"). He joined OSGH in October 1996 and has in-depth knowledge of operations of film distribution and exhibition business. OSGH's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code: 1132). From October 2015 to July 2017, he was an independent non-executive director of Mason Group Holdings Limited (Stock code: 273), which is listed on the Stock Exchange.

Mr. Yuen is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He obtained a master's degree of business administration from Hong Kong Baptist University.

Profiles of Directors

Mr. Yau Chung Hang

Mr. Yau, aged 48, joined the Board in July 2019, and was appointed as an Independent Non-Executive Director. Mr. Yau is a member of the Audit Committee of the Board. He has over 20 years of experience in finance and accounting. Mr. Yau is currently an independent non-executive director of Shuang Yun Holdings Limited (stock code: 1706) from October 2017, a company listed on the Main Board of the Stock Exchange, which engages in roadworks services and construction machinery rental services in Singapore. Mr. Yau had been appointed as an independent non-executive director of Wang Yang Holdings Limited (now known as Central Holding Group Co., Ltd.) (stock code: 1735) from March 2018 to October 2019, a company listed on the Main Board of the Stock Exchange, which engages in construction works. Mr. Yau had been appointed as an executive director of Tokyo Chuo Auction Holdings Limited (stock code: 1939) from September 2018 to September 2019, a company listed on Main Board of the Stock Exchange, which engages in artwork auction business in both Japan and Hong Kong. Mr. Yau had been appointed as an independent non-executive director of ABC Communications (Holdings) Limited (now known as Ban Loong Holdings Limited) (stock code: 30) from May 2013 to October 2014, a company listed on the Main Board of the Stock Exchange.

Mr. Yau obtained a Higher Diploma in Accountancy from the City University of Hong Kong in November 1995. He holds a degree of Bachelor of Arts in Accountancy from the University of Bolton, the United Kingdom in August 2005. He has been a fellow member of The Association of Chartered Certified Accountants since December 2006 and a member of Hong Kong Institute of Certified Public Accountants since April 2002.

Mr. Ip Wing Wai

Mr. Ip, aged 42, joined the Board in June 2020, and was appointed as an Independent Non- Executive Director. Mr. Ip is a member each of the Nomination Committee, the Remuneration Committee and the Audit Committee of the Board. Mr. Ip possesses more than 20 years of experience in accounting, auditing and corporate fields and worked in an international accounting firm. Mr. Ip is currently the Chief Financial Officer of Sincere Watch (Hong Kong) Limited (stock code: 444.hk), a company listed on the Main Board of the Stock Exchange and the Non-Executive Director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (stock code: 8095.hk), a company listed on the GEM of the Stock Exchange.

Mr. Ip holds a Bachelor degree in Business Administration in Accounting from The Hong Kong University of Science and Technology. He is a member of The Hong Kong Institute of Certified Public Accountants since 2004.

Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of the Group. The Group is principally engaged in the business of strategic investment. The principal activities of the Company's principal subsidiaries as at 31 December 2020 are set out in Note 32 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 58 to 164.

The Directors do not recommend the payment of a dividend for the year.

DIVIDEND POLICY

The Board considers stable dividend payment to the shareholders of the Company to be one of the main objectives of the Company. The declaration and payment of dividends of the Company shall be determined at the discretion of the Board and subject to all applicable laws and regulations in the Cayman Islands and Hong Kong and the Memorandum and Articles of Association of the Company.

The dividend policy adopted by the Company aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

When considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any final dividend for a financial year will be subject to shareholders' approval.

The Board will review the dividend policy and make any necessary amendments as appropriate from time to time.

Directors' Report

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 25 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 26 to the financial statements.

CONVERTIBLE BONDS

Details of the movements in convertible bonds of the Company during the year are set out in Note 23 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 165.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the years ended 31 December 2020 and 2019. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the years ended 31 December 2020 and 2019.

SHARE OPTION SCHEMES

Details of the Share Option Schemes are set out in Note 27 to the financial statements.

The Company's share option scheme which was adopted on 27 March 2002 (the "2002 Share Option Scheme") was expired and a new share option scheme (the "2014 Share Option Scheme") was adopted by an ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company on 15 April 2014 (the "Adoption Date"). The 2014 Share Option Scheme constitutes a share option scheme governed by Chapter 23 of the GEM Listing Rules and will remain in force for 10 years from the Adoption Date.

Upon the expiry of the 2002 Share Option Scheme, no further option can be offered thereunder but any options granted prior to such expiry but not yet exercised shall continue to be valid and exercisable.

Directors' Report

The Company operates both the 2002 Share Option Scheme and the 2014 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Pursuant to the 2014 Share Option Scheme, the directors of the Company may grant options to eligible participants persons (as defined in the 2014 Share Option Scheme) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

Summary of the 2014 Share Option Scheme disclosed in accordance with the GEM Listing Rules is as follows:

Purpose of the scheme

To encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Group attained through their efforts and contributions and to provide the participants with incentives and help the Group in retaining and recruiting talents.

Participants of the scheme

Eligible participant may be a person or an entity belonging to any of the following classes:

(a) any eligible employee (i.e. any employee of or any person who has accepted an offer of employment from (whether full time or part time employee, including any executive director but not any non-executive director) the Company, its subsidiaries and any entity in which the Group holds any equity interest (the "Invested Entity")) (the "Eligible Employee");

(b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity acting in their capacities as advisers or consultants to the Group or any Invested Entity; and

Directors' Report

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the Directors having contributed or may contribute to the development and growth of the Group or any Invested Entity.

Total number of shares available for issue under the 2014 Share Option Scheme and percentage of issued share capital as at the date of this report	The Company has refreshed the scheme limit on 10 May 2019. As at the date of this report, the total number of shares available for allotment and issue under 2014 Share Option Scheme and previous share option scheme is 87,210,047 Shares, representing approximately 15.85% of the Company's total number of issued shares as at the date of this report.
Maximum entitlement of each participant under the scheme	The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2014 Share Option Scheme (including both exercised and outstanding options) to each grantee in any 12–month period shall not exceed 1% of the issued share capital of the Company for the time being unless it is approved by shareholders at general meeting of the Company with such grantee and his associates abstaining from voting. Where any grant of share options to a substantial shareholder or an independent non-executive director or any of their respective associates, would result in the shares issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the 12–month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of shares at the date of each grant, in excess of HK$5 million; such further grant of options must be approved by shareholders at general meeting of the Company.

Directors' Report

The period within which the shares must be taken up under an option	A period to be specified by the Directors and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the Directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	HK$10.00 is payable within 28 days from the date of offer in relation to the grant of the options.
The basis of determining the exercise price	The exercise price is determined by the Directors which must be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, which must be a trading day; and (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Share.
The remaining life of the scheme	The 2014 Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 15 April 2014.

Directors' Report

DONATIONS

During the year, HK$5,000 donation has been made (2019: HK$5,000).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Chairman and Non-Executive Director:

Wu King Shiu, Kelvin (resigned on 1 June 2020)

Executive Directors:

Chan Suet Ngan
Hu Kenneth
Qian Alexandra Gaochuan (resigned on 1 June 2020)

Independent Non-Executive Directors:

Yuen Kwok On
Matsumoto Hitoshi (resigned on 30 June 2020)
Yau Chung Hang
Ip Wing Wai (appointed on 30 June 2020)

In accordance with article 86(3) of the Company's Articles of Association, Mr. Ip Wing Wai will hold office until the forthcoming annual general meeting (the "Annual General Meeting") and will be eligible for re-election.

Besides, Mr. Hu Kenneth and Mr. Yuen Kwok On retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting in accordance with article 87 of the Company's Articles of Association.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("the GEM Listing Rules"). The Company considers all of the Independent Non-Executive Directors are independent.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering themselves for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Report

DIRECTORS' REMUNERATION

Details of the Company's Directors' remuneration are set out in Note 10(a) to the financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's or any of its subsidiaries was a party, and in which a Director or its connected entities had a material interest (whether directly or indirectly) subsisting at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (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 are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(i) Interests in the ordinary shares of the Company (the "Share(s)")

Name of Directors	Personal interest	Corporate interest	Family interest	Aggregate long position in Shares	Approximate percentage of the issued share capital of the Company
Ms. Chan Suet Ngan	19,850	–	–	19,850	0.003%
Mr. Hu Kenneth (Note)	–	–	630,000	630,000	0.11%
Mr. Yuen Kwok On ("Mr. Yuen")	99,000	–	–	99,000	0.01%

Note:

1. Ms. Qian Alexandra Gaochuan ("Ms. Qian"), the spouse of Mr. Hu Kenneth holds 630,000 Shares. Accordingly, Mr. Hu Kenneth is deemed to be interested in 630,000 Shares.

Directors' Report

(ii) Interests in the underlying Shares

Outstanding share options

Name of Directors	Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Exercise period (Notes)	Balance as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2020
Ms. Chan Suet Ngan	01/04/2016	4.94	(1)	200,000	–	–	–	200,000
	19/05/2017	1.56	(2)	600,000	–	–	–	600,000
				800,000	–	–	–	800,000
Mr. Hu Kenneth	01/04/2016	4.94	(1)	400,000	–	–	–	400,000
(Note 3)	19/05/2017	1.56	(2)	2,800,000	–	–	–	2,800,000
				3,200,000	–	–	–	3,200,000
Mr. Yuen	01/04/2016	4.94	(1)	150,000	–	–	–	150,000
	19/05/2017	1.56	(2)	100,000	–	–	–	100,000
				250,000	–	–	–	250,000

Notes:

(1) Divided into two tranches exercisable from 1 October 2016 and 1 April 2017, respectively to 31 March 2026.

(2) Exercisable from 19 May 2017 to 18 May 2027.

(3) Ms. Qian, the spouse of Mr. Hu Kenneth, holds 200,000 share options and 1,400,000 share options at an exercise of HK$4.94 per share and HK$1.56 per share respectively, to subscribe for Shares.

(iii) Short positions

None of the Directors held short positions in the shares and underlying shares of the Company or any Associated Corporation.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2020, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be 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.

(i) Interests in the Shares and underlying Shares

Name	Aggregate long position in Shares	Aggregate long position in underlying Shares	Approximate percentage of the issued share capital of the Company
Substantial Shareholders			
Mr. Wu King Shiu, Kelvin (''Mr. Wu'') (Notes 1 and 2)	114,644,282	5,294,200	21.80%
Ms. Li Mau (Notes 1 and 2)	114,644,282	5,294,200	21.80%
AID Cap II (Note 1)	104,939,882	–	19.08%
AID Partners GP2, Ltd. (Note 1)	104,939,882	–	19.08%
Billion Power Management Limited (Note 1)	104,939,882	–	19.08%
Leader Fortune International Limited (Note 1)	104,939,882	–	19.08%
Hong Kong HNA Holding Group Co. Limited (Note 3)	66,141,232	–	12.02%
Mr. Wong Kwok Ho (''Mr. Wong'') (Notes 4 and 5)	37,433,200	9,375,000	8.51%
Ms. Chau Mui (Notes 4 and 5)	37,433,200	9,375,000	8.51%
Mr. David Tin	45,454,400	–	8.26%
Abundant Star Ventures Limited (Note 1)	45,454,545	–	8.26%
Vantage Edge Limited (Note 1)	34,090,937	–	6.19%

Notes:

1. Mr. Wu owns 1,424,400 Shares. Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited own 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares, respectively. Mr. Wu is deemed to have interests in 25,394,400 Shares, 45,454,545 Shares and 34,090,937 Shares of which Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited were deemed to be interested by virtue of the SFO since Mr. Wu indirectly owns 100% through Billion Power Management Limited, of the issued share capital of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P. ("AID Cap II"). AID Cap II is interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited. Further, Mr. Wu is interested in 1,344,200 share options, 3,500,000 share options and 450,000 share options at an exercise price of HK$3.20 per Share, HK$4.94 per Share and HK$1.56 per Share, respectively, to subscribe for Shares. Ms. Li Mau, as the spouse of Mr. Wu, is deemed to be interested in these Shares and underlying Shares for the purpose of the SFO.

Directors' Report

2. Billion Express Consultants Limited ("Billion Express") owns 8,280,000 Shares. The entire issued share capital of Billion Express is wholly-owned by Ms. Li Mau. Mr. Wu, as the spouse of Ms. Li Mau, is deemed to be interested in these Shares held by Billion Express for the purpose of the SFO.

3. Hong Kong HNA Holding Group Co. Limited is wholly-owned by HNA Financial Holdings International Co., Ltd. ("HNA Financial"). HNA Financial is wholly-owned by Beijing HNA Financial Holdings Co., Ltd. ("Beijing HNA"). Beijing HNA is owned as to 61.32% by HNA Investment Holding Co. Ltd. ("HNA Investment") and owned as to 37.74% by Hainan HNA Holding Co., Ltd.. HNA Investment is owned as to 73.06% by HNA Holding Group Co., Ltd.. Hainan HNA Holding Co., Ltd. is owned as to 51.38% by HNA Holding Group Co., Ltd. and 21.61% by HNA Group Co., Ltd.. HNA Holding Group Co., Ltd. is wholly-owned by HNA Group Co., Ltd.. HNA Group Co., Ltd. is owned as to approximately 70% by Hainan Traffic Administration Holding Co., Ltd. ("Hainan Traffic"). Hainan Traffic is owned as to approximately 50% by Sheng Tang Development (Yangpu) Co., Limited ("Sheng Tang"). Sheng Tang is owned as to 35% by Tang Dynasty Development Co., Limited ("Tang Dynasty") and 65% by Hainan Province Cihang Foundation. Tang Dynasty is owned as to approximately 98% by Pan-American Aviation Holding Company, which is in turn 100% beneficially owned by Cihang Sino-Western Cultural and Educational Exchange Foundation Limited.

4. Mr. Wong owns 16,839,200 Shares and is interested in 4,500,000 share options at an exercises price of HK$1.56 per Share to subscribe for Shares. Mr. Wong is deemed to be interested in 19,500,000 Shares and 4,875,000 underlying shares as mentioned in Note 5 below. Ms. Chau Mui, as the spouse of Mr. Wong, owns 1,094,000 Shares and is deemed to be interested in all Shares and underlying shares held by Mr. Wong.

5. Sky March Limited ("Sky March") entered into a consulting service agreement with the Company dated 5 May 2017 (the "Consulting Service Agreement"), pursuant to which the Company has issued 97,500,000 Shares (4,875,000 Shares adjusted upon the Share Consolidation), 97,500,000 Shares (4,875,000 Shares adjusted upon the Share Consolidation), 4,875,000 Shares and 4,875,000 Shares to Sky March on 25 May 2017, 28 May 2018, 28 May 2019 and 28 May 2020, respectively, and 4,875,000 Shares will be issued to Sky March in accordance with the terms and conditions of the Consulting Service Agreement. Mr. Wong is interest in these shares and underlying shares through his 100% interest in Sky March.

(ii) Short positions

No person held short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Save as disclosed above, as at 31 December 2020, the Directors of the Company were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 31 December 2020, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

Directors' Report

COMPETING INTERESTS

So far as the Directors were aware, none of the other Directors or their respective associates were interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. We pursue this business approach by managing our business prudently and executing management decisions with due care and attention. We will continue to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to update the requirement of the relevant laws and regulations in various countries, particularly in Hong Kong and the PRC, applicable to the Group to ensure compliance. Substantially a majority of the Group's assets and revenue are located in and derived from Hong Kong and the PRC. During the year under review, the Group complied with the relevant laws and regulations in various countries applicable to it in all material respects.

MAJOR CLIENTS AND SUPPLIERS

During the year, approximately 25% and 92% of the Group's revenue were attributable to the Group's largest customer and five largest customers, respectively.

During the year, approximately 33% and 77% of the Group's cost of sales were attributable to the Group's largest supplier and five largest suppliers, respectively.

So far as the Directors were aware, none of the Directors, their close associates, or any shareholders (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) were interested in any customers and suppliers disclosed above.

CONNECTED TRANSACTIONS

Except otherwise disclosed in the financial statements, the Group had no transactions incurred during the year which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

Details of related party transactions are set out in Note 28 to the financial statements.

Directors' Report

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2020, the Group had no advances outstanding which were non-trading in nature and exceeded 8% of the total assets of the Group as at 31 December 2020 which was required to be disclosed under Rule 17.18 of the GEM Listing Rules.

FULL NAME AND QUALIFICATIONS OF COMPANY SECRETARY AND THE COMPLIANCE OFFICER

The Company Secretary of the Company is Chan Suet Ngan. She holds a bachelor's degree in commerce, major in accounting and finance. She is a member of CPA Australia and is also a member of the Hong Kong Institute of Certified Public Accountants.

The Compliance Officer of the Company is Hu Kenneth. He holds a Bachelor of Commerce degree from the University of Queensland, Australia.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of these financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements for the year ended 31 December 2020 were audited by Linksfield CPA Limited ("Linksfield") who will retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. The financial statements for the years ended 31 December 2019 and 2018 were audited by Linksfield and BDO Limited respectively.

Save as disclosed above, there have been no other changes of independent auditors for the preceding three years.

For and on behalf of the Board
Chan Suet Ngan
Executive Director
26 March 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2020, the Company has complied with the code provisions ("Code Provisions") as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules, except for the following deviations:

Code Provision A.2.1

Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual.

Following the resignation of Mr. Wu King Shiu, Kelvin from the office of CEO and Chairman of the Company on 4 February 2019 and 1 June 2020 respectively, the Company has not appointed CEO and Chairman in place of Mr. Wu King Shiu, Kelvin. Up to the date of this report, the role and function of CEO and Chairman have been performed by the two Executive Directors of the Company collectively.

Code Provision E.1.2

Code Provision E.1.2 provides that the Chairman of the Board should attend the annual general meeting to answer questions at the annual general meeting. The Company has not appointed the Chairman of the Company. Ms. Chan Suet Ngan ("Ms. Chan") and Mr. Hu Kenneth had attended the meeting and Ms. Chan had chaired the annual general meeting and answer any questions from shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiries of all Directors of the Company, the Company is satisfied that the Directors of the Company have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules, and with the Company's code of conduct regarding Directors' securities transactions.

BOARD OF DIRECTORS

Composition

As at the date of this report, the Board comprises five Directors, of which three are Independent Non-Executive Directors, as follows:

Executive Directors:
Chan Suet Ngan
Hu Kenneth

Independent Non-Executive Directors:
Yuen Kwok On
Yau Chung Hang
Ip Wing Wai

The biographies of the Directors are set out under the "Profiles of Directors" on pages 13 to 14, and are posted on the Company's website (www.8088inc.com).

Corporate Governance Report

The principal role of the Board is to provide strategic leadership to the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the Group's strategic aims, oversees the allocation of financial and human resources and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to shareholders and others are met and understood. The Board meets at least quarterly to review and discuss the Group's performance, strategy and business opportunities available. The Board also reviews and approves the Quarterly, Interim and Annual Reports of the Company. The Board has delegated the day-to-day running of the Group to the Executive Directors/Chief Executive Officer and the Group's management team. However, the Board retains responsibility for:

- Approving annual operating and capital expenditure budgets and any material changes to them;
- Approving the remuneration of the Directors (based on the recommendations of the Remuneration Committee);
- Approving the appointment of Directors (based on recommendations of the Nomination Committee);
- Approving the Quarterly, Interim and Annual Reports (based on recommendations of the Audit Committee);
- Approving any decision to cease to operate all or any material part of the business;
- Approving any changes relating to the Group's capital structure, including the reduction of capital, share issues and share buy backs; and
- Approval of dividend policy and declaration of interim and final dividends.

The Company has complied with Rules 5.05(1) and (2) of the GEM Listing Rules relating to the appointment of sufficient number of Independent Non-Executive Directors. An Independent Non-Executive Director has appropriate professional qualifications, or accounting or related financial management expertise.

The Company considers that each of its Independent Non-Executive Directors are independent in accordance with the guidelines for assessing independence set out in Rule 5.09 of the GEM Listing Rules.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

Save as disclosed herein, the Company considers that there is no relationship (including financial, business, family or other material/relevant relationship) among the members of the Board.

Corporate Governance Report

Term of Appointment and Re-election

The Non-Executive Directors were appointed for fixed terms of one year and thereafter are terminable on three month's written notice from either party. Every Director is subject to retirement by rotation at least once every three years. All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment.

Training and Support for Directors

All the Directors, including Non-Executive Directors and Independent Non-Executive Directors, are briefed on regular basis to have a proper understanding of their collective responsibilities as Directors and of the operations and business of the Group. The Group assists in arranging professional development training to all the Directors to develop and refresh the Directors' knowledge and skills, and continuously updates all the Directors on latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year under review, the Directors also participated in the following trainings:

	Attending or participating in the briefing sessions/ seminars/ programmes relevant to the business/ directors' duties
Chairman and Non-executive Director:	
Wu King Shiu, Kelvin (resigned on 1 June 2020)	✓
Executive Directors:	
Chan Suet Ngan	✓
Hu Kenneth	✓
Qian Alexandra Gaochuan (resigned on 1 June 2020)	✓
Independent Non-Executive Directors:	
Yuen Kwok On	✓
Matsumoto Hitoshi (resigned on 30 June 2020)	✓
Yau Chung Hang	✓
Ip Wing Wai (appointed on 30 June 2020)	✓

Corporate Governance Report

Board Meetings

There have been 6 meetings of the Board during the year.

Attendance of individual Directors at meetings of the Board held during the year was as follows:

	No. of board meetings attended
Wu King Shiu, Kelvin (resigned on 1 June 2020)	4/4
Chan Suet Ngan	6/6
Hu Kenneth	6/6
Qian Alexandra Gaochuan (resigned on 1 June 2020)	4/4
Yuen Kwok On	6/6
Matsumoto Hitoshi (resigned on 30 June 2020)	4/4
Yau Chung Hang	6/6
IP Wing Wai (appointed on 30 June 2020)	2/2

BOARD DIVERSITY POLICY

According to the board diversity policy (the "Board Diversity Policy") adopted by the Company, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. 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. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy and will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness. The Nomination Committee will discuss any proposed revisions to the Board Diversity Policy and make recommendation on such revisions to the Board for consideration and approval as it sees fit.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Following the step down of Mr. Wu King Shiu, Kelvin from the office of Chairman and Non-Executive Director of the Company on 1 June 2020, the Board has not appointed an individual to take up the vacancy of Chairman and Chief Executive Officer of the Company, and the role and function of Chairman and Chief Executive Officer have been performed by the two Executive Directors of the Company collectively.

Corporate Governance Report

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 11 August 2005. The Committee meets at least once a year. The terms of reference of the Remuneration Committee are posted on the Company's website (www.8088inc.com). The principal functions of the Remuneration Committee include: recommending to the Board the policy and structure for the remuneration of the Chairman, Executive Directors and senior management (as determined by the Board), determining the specific remuneration packages of the Chairman, Executive Directors and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to Chairman, Executive Directors and senior management, ensuring no Director is involved in deciding his or her own remuneration, and approving the service contracts of Directors. The Remuneration Committee also fulfils the role of an Options Committee for the Share Option Scheme and its main duty in this context is to approve the grant of options to relevant eligible participants.

The Remuneration Committee comprised a majority of Independent Non-Executive Directors, is chaired by Mr. Yuen Kwok On, and its membership includes Mr. Hu Kenneth and Mr. Ip Wing Wai.

There was 1 Remuneration Committee meeting during the year.

Attendance of individual members at meetings of the Remuneration Committee held during the year was as follows:

	No. of remuneration committee meetings attended
Yuen Kwok On	1/1
Wu King Shiu, Kelvin (resigned on 1 June 2020)	0/0
Matsumoto Hitoshi (resigned on 30 June 2020)	0/0
Hu Kenneth (appointed on 1 June 2020)	1/1
Ip Wing Wai (appointed on 30 June 2020)	0/0

The Remuneration Committee determined the specific remuneration packages of all the Executive Directors and senior management.

Corporate Governance Report

NOMINATION COMMITTEE AND NOMINATION OF DIRECTORS

The Company established a Nomination Committee on 11 August 2005. The terms of reference of the Nomination Committee are posted on the Company's website (www.8088inc.com). The principal function of the Nomination Committee is the consideration and nomination of candidates to fill casual vacancies to the Board.

The Company acknowledges that the diversification of the members of the Board has positive effects on enhancing the Group's performance. The Company sees the diversification of the members of the Board as an important supporting factor for the Group to achieve its strategic goal and maintain sustainable growth. In deciding the composition of the Board, the Company will consider the Board diversity from various perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All of our Directors are appointed according to the principle of meritocracy while all candidates are being selected objectively, and the benefit of Board diversity will also be taken into full consideration.

The Nomination Committee comprised a majority of Independent Non-Executive Directors, is chaired by Ms. Chan Suet Ngan and its membership includes Mr. Yuen Kwok On and Mr. Ip Wing Wai.

There was 1 Nomination Committee meeting during the year.

Attendance of individual members at meetings of the Nomination Committee held during the year was as follows:

	No. of nomination committee meetings attended
Wu King Shiu, Kelvin (resigned on 1 June 2020)	0/0
Chan Suet Ngan (appointed on 1 June 2020)	1/1
Yuen Kwok On	1/1
Matsumoto Hitoshi (resigned on 30 June 2020)	0/0
Ip Wing Wai (appointed on 30 June 2020)	0/0

Corporate Governance Report

NOMINATION POLICY

The key objectives of the nomination policy (the "Nomination Policy") of the Company include the following:

- set out the criteria and process in the nomination and appointment of directors of the Company;
- ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- ensure the Board continuity and appropriate leadership at Board level.

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee but the ultimate responsibility for selection and appointment of Directors of the Company rests with the entire Board.

In evaluating and selecting any candidate for directorship, the following criteria will be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Corporate Governance Report

The Nomination Committee and/or the Board will evaluate the candidates based on the criteria as set out above to determine whether such candidates are qualified for directorship. The Nomination Committee will also consider recommendations for candidates made by shareholders of the Company.

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and this Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

— to guide the Board in relation to the appointment, re-appointment and removal of Directors;

— to devise criteria for performance evaluation of the Independent Non-Executive Directors (the "INED") and the Board as a whole; and

— to devise a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors.

The Nomination Committee will evaluate the integrity, qualification, expertise and experience of the candidates who are being considered for appointment or re-appointment as Director and ensure compliance with all applicable laws and regulations and the Listing Rules including any amendments thereto from time to time. The Nomination Committee shall also consider recommendations for candidates to the Board from shareholders of the Company.

Before making a recommendation to the Board, in assessing the suitability of a proposed candidate for appointment or re-appointment, the Nomination Committee will consider a number of factors, including but not limited to:

— reputation for character and integrity;

— accomplishment and professional knowledge and industry experience which may be relevant to the Company;

— commitment in respect of available time;

— merit and potential contributions that such candidate could bring to the Board with reference to the Board Diversity Policy (as defined above), including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, independence, skills, knowledge and length of service;

— in case of an INED candidate, to assess the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and

— current size and composition of the Board, the needs of the Board and the respective Board committees.

Corporate Governance Report

The Company has devised a policy on Board diversity to ensure adequate diversity on its Board as the Board considers that diversity is an essential element for a successful and effective Board. Details of the policy on Board diversity are set out in the paragraph headed "Board Diversity Policy" above.

After the Nomination Committee makes its recommendation to the Board, the final decision on the appointment, re-appointment and removal on Directors rests with the Board. The Nomination Committee will monitor and review the Nomination Policy, as appropriate, to ensure its effectiveness from time to time. Any proposed changes to the Nomination Policy will be recommend to the Board for consideration and approval.

AUDIT COMMITTEE

The Company established an Audit Committee on 31 March 2000 with the written terms of reference. The terms of reference are available on the Company's website (www.8088inc.com). The Audit Committee comprises three Independent Non-Executive Directors, Mr. Yuen Kwok On (Chairman), Mr. Yau Chung Hang and Mr. Ip Wing Wai. The duties of the Audit Committee include: managing the relationship with the Group's external auditor, reviewing the financial information of the Company, and overseeing the Company's financial reporting process, risk management and internal control systems. The Audit Committee reports its work, findings and recommendations to the Board after each meeting.

The Audit Committee met 5 times during the year ended 31 December 2020.

Attendance of individual members at meetings of the Audit Committee during the year was as follows:

	No. of audit committee meetings attended
Yuen Kwok On	5/5
Matsumoto Hitoshi (resigned on 30 June 2020)	3/3
Yau Chung Hang	5/5
Ip Wing Wai (appointed on 30 June 2020)	2/2

The Audit Committee has met with the Auditor and the Financial Controller during the year to review the 2019 Annual Report and the Quarterly Report for the quarters ended 31 March 2020 and 30 September 2020, and the Interim Report for the six months ended 30 June 2020. The Audit Committee has also met to review these annual figures and was satisfied with the outcome of its review. It had also reviewed the scope of audit work, discussed and recommended the re-appointment of the external auditors and reviewed the internal control, financial reporting and risk management systems of the Company.

The composition of the Audit Committee meets the requirements of Rule 5.28 of the GEM Listing Rules.

AUDITOR'S REMUNERATION

Auditor's remuneration in respect of audit and non-audit services provided by external auditor for the year ended 31 December 2020 amounted to HK$700,000 (2019: HK$850,000) and HK$520,000 (2019: HK$216,000) respectively. The non-audit services included the review of the Quarterly and Interim Reports of the Company during the year.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board recognises its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defense, business divisions are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the audit committee of the Company, with the professional advices and opinions from the external professional consultant by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defense are effective through constant inspection and monitoring.

In addition to the review of risk management and internal controls undertaken by the external professional consultants, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of the Board to ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investments and the Group's assets at all times. The Company has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

During the year, the Group has not set up internal audit department, however, it engaged an external professional consultant to review and assess its risk management and internal control systems and reported to the audit committee. The review covered several parts of the systems including risk management, and operational, financial and compliance controls.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2020 covering all material financial, operational and compliance functions, is of the view that the effectiveness of the risk management and internal control systems of the Group are considered as effective and adequate. The Audit Committee reviewing and evaluating the effectiveness of the Company's overall risk management and internal control systems at least annually.

Corporate Governance Report

SHARE INTERESTS OF SENIOR MANAGEMENT

The number of shares held by senior management are set out in the Directors' Report on pages 21 to 22.

DIRECTORS' AND OFFICERS' INSURANCE

The Company arranges appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

SHAREHOLDERS

The Board recognises its responsibility to represent the interest of all shareholders and to maximise shareholder value and this section of the Corporate Governance Report details the Group's policies and actions in this respect.

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding not less than one-tenth of the paid up share 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 Extraordinary General Meeting ("EGM") to be convened, stating the objects of the meeting, and deposited with our Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The meeting shall be held within two months after the deposit of such requisition.

The procedures for shareholders to put forward proposals at an Annual General Meeting ("AGM") or EGM require that a written notice of those proposals be submitted by the shareholders to the Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution.

Enquiries to be put to the Board should be made in writing and directed to the Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no change in the Company's constitutional documents.

The most recent shareholders meeting was as follows:

An extraordinary general meeting held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 10 July 2020 at 11:30 a.m. for approve the disposal of AID Partners Autonomous GP Ltd.

All the above resolutions received sufficient votes to be duly carried.

As at 31 December 2020, the public float capitalisation was approximately HK$12,520,000 and the number of issued shares on the public float, represents 67% of the outstanding issued share capital of the Company.

Environmental, Social and Governance Report

1. ABOUT THE REPORT

AID Life Science Holdings Limited and its subsidiaries (the "Group" or "we") are pleased to present its annual Environmental, Social and Governance Report (the "ESG Report") of the Group for Year 2020 in accordance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("HKEX") ("GEM Listing Rules") Rule 17.103 and the "Environmental, Social, and Governance Reporting Guide" (the "ESG Reporting Guide") as set out in the Appendix 20 to the GEM Listing Rules.

The scope of the ESG Report covers the environmental and social performances within the operational boundaries of the Group which is the strategic investment business in Hong Kong, spanning over the period from 1 January 2020 to 31 December 2020 (the "Reporting Period" or "FY2020").

As one of the renowned firms in the investment industry in Hong Kong, the Group attaches importance to integrating sustainable practices into the business operation. The purpose is to take the responsibility for its impact on society and the environment. The Group believes that this is the most effective way to create long-term value for shareholders and other stakeholders.

With reference to the ESG Reporting Guide and the Group's business operation, the presentation of our ESG Report divides the relevant aspects and key performance indicators ("KPI"), which are considered to be relevant and material to the Group, into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investments.

The Group is determined to be a responsible enterprise and is committed to perfecting its business and improving the local community. In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that our stakeholders concerned most.

We define our stakeholders as people who affect our business or who are affected by our business. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. In addition, we are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions.

We welcome and value each of your feedback. If you have any questions or suggestions regarding this ESG Report, please feel free to contact us at:

Address	22/F, New World Tower II, 18 Queen's Road Central, Central, Hong Kong
E-mail	info@8088inc.com

Environmental, Social and Governance Report

2. ENVIRONMENTAL PROTECTION

2.1. Corporate Environmental Policy and Compliance

The Earth, our precious planet, is the most valuable asset for us. The Group endeavors to protect this planet and to build a sustainable future for our generations and their generations. The Group is committed to upholding high environmental standards to fulfil relevant requirements throughout our operation, and will continue to devote operating and financial resources on environmental compliance as required under applicable laws or ordinances.

As a company that is principally engaged in strategic investment, the Group does not have any air or water emissive facilities. Any emissions are only limited to those in an ordinary office environment (e.g. normal office electricity consumption and pantry water supply) and regular modes of transportation (e.g. ground transport and airline travel). Nevertheless, the Group is committed to actively minimizing the impact on our environment and implementing different measures to optimize the workplace, continuing to address the environmental issues in relation to global warming, pollution, and biodiversity of the environment.

With the goal to reduce energy consumption and carbon emissions, the Group has formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas ("GHG") emission, as well as discharge of domestic waste and sewage and other pollutants. We strictly comply with the environmental protection laws and regulation promulgated by the local government.

During the Reporting Period, the Group complied with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

Environmental, Social and Governance Report

2.2. Emission

2.2.1. Exhaust Gas and GHG Emissions

Due to our business nature, the Group does not generate significant amount of exhaust gas directly during its operation.

In daily operation and office administration, the Group generates GHG emissions indirectly through energy consumption. To properly manage our GHG emissions, the Group actively adopts electricity conservation and energy saving measures as well as other measures, including:

- Providing on-off and zoning control of lighting and ventilation system in the workplace according to the operation schedule;
- Installing LED lighting system in our workplace;
- Installing automatic sensors and remote-control switches, so that unused lighting can be automatically switched off or managed together;
- Encouraging employees to switch off IT devices, such as computers, lightings and monitors when not in use;
- Encouraging staff members to maintain indoor air-conditioning at a comfortable temperature without excessive;
- Reminding employees to switch off the lighting system when they leave the office through environmental friendly messages posting nearby the switch;
- Checking and cleaning electrical appliances, such as refrigerator, air conditioning, ventilation and paper shredder regularly to ensure they are maintained at an efficient operating state; and
- Placing "Green Message" reminders on office equipment to further enhance employees' environmental awareness.

	Unit	FY2020
GHG Emissions	CO_2e(kg)	29,560
Energy indirect emission		18,209
Other indirect emission (business travel)		11,351

Environmental, Social and Governance Report

2.2.2 Waste Management

The Group adheres to the principles of waste management and is committed to a sound and proper management of all waste generated during our operation. The Group does not have any water emissive facilities. The wastes were limited to those ordinary solid refuse.

Hazardous Waste

The Group's business, by nature, does not directly produce hazardous waste throughout any part of activities.

Non-hazardous Waste

In our operation, the non-hazardous wastes generated are mainly domestic waste, among which, recyclable wastes, such as paper, will be recycled for reuse. Our waste management practice is compliant with laws and regulations relating to environmental protection. The Group has also implemented policies to reduce waste generation through environmental education, and re-usable utensils at the office, aiming at waste management from the source.

With respect to the wastewater management, the Group ensures all domestic sewage is discharged into the urban sewage pipe network for the proper sewage treatment.

The Group strives to maintain a high standard of requirement of waste reduction, actively encouraging its employee to appreciate the significance of sustainable development through continuous development in skills and knowledge.

The Group is committed to promote a paperless office environment, constantly encouraging all employee to "think before print" and to reduce paper usage through duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents.

Reusable paper products, such as envelopes, are properly recycled whereas the use of disposable paper products, such as paper cups and paper towels, are discouraged wherever possible and appropriate and to encourage use of re-usable alternatives during our operation.

Environmental, Social and Governance Report

2.3. Use of Resources

The Group considers the conservation of natural resources as an indispensable component of our sustainable business. Through actively promoting various environmentally friendly measures, we encourage an efficient use of resources, including energy, paper, water and other raw materials. As such, the Group has initiated policies to raise the awareness of electricity conservation and taken energy saving measures throughout our daily operation as elaborated in the Section 2.2. Emissions.

Water Consumption

With respect to water conservation, we encourage all employees and customers to develop the habit of conserving water consciously. Pantry and washrooms are posted with environmental messages to remind employee the importance and urgency of water conservation.

Apart from education, the utility facilities are maintained and inspected regularly to ensure that water seepage, leaking pipelines and water supply system are replaced or repaired on a timely basis.

Water supply was part of the building service and was not separately billed for usage; therefore no consumption statistics can be collected. Sourcing water, water efficiency initiatives are defined to be irrelevant to the Group's operation considering to the major business operation of the Group.

Packaging Material

Due to our business nature, the Group does not have manufacturing facilities and does not consume a significant amount of packaging materials.

Environmental Performance

In accordance with the ESG Reporting Guide set out by HKEX, our environmental performance of "Energy Use and Emissions" and "Resources Use" during the Reporting Period are tabulated below.

Table 1 — Energy and Resources Use

	Unit	FY2020
Electricity	kWh	21,322
Paper	Kg	349

The Group is committed to instilling the consciousness of resources conservation and environmental protection into the work and life of every employee. We seek business partners who also share with our philosophy and commitment to environment conservation and compliance with the applicable environmental laws and regulations. We believe that these initiatives are capable to reflect our commitment to offering the best quality of services while maintaining the least adverse environmental impact on our planet.

Environmental, Social and Governance Report

2.4. The Environment and Natural Resources

The Group is highly aware of on our adverse impact on the environment and natural resources, taking steps to minimize the negative footprint from our operations.

In addition to compliance with relevant environmental laws and regulations to properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operation with an objective of achieving environmental sustainability.

In the future, we will continue our commitment in environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a member of the community we all live in.

3. EMPLOYMENT AND LABOUR PRACTICES

3.1. Recruitment and Promotion

The Group fully understands that our business development is largely driven by the continued quality services delivered by our experienced and competent workforce. As such, it is therefore of paramount importance to proactively manage our talent pipeline and career development for employees. The Group is determined to set itself in a good position to maintain a robust business performance and growth together with our employees.

With an objective to uphold an open, fair, just and reasonable human resource policy, the Group has formulated the recruitment policy with respect to equal opportunities, diversity and anti-discrimination.

We encourage differences and individuality in employees, with the philosophy that diversity can bring new ideas, dynamics and challenges to our operations. We discourage all forms of discrimination on gender, age, family status, sexual orientation, disability, race and religion. Our employment policy encourages hiring of talented people with physical or mental disabilities. We are committed to supporting our employees to maintain a family-friendly work environment because we respect their roles and responsibilities in their families. We strive to make sure employees and business partners comply with laws and regulations, follow ethical business practices and respect equal opportunity in employment. We bring in new recruits and equip them with necessary skill sets to develop a long-term rewarding career with us.

During the Reporting Period, we continue to strictly observe the applicable laws and regulations and follow our employment policies relating to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, by providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, so as to recruit and retain experienced employees.

Environmental, Social and Governance Report

3.2. Employment and Labour

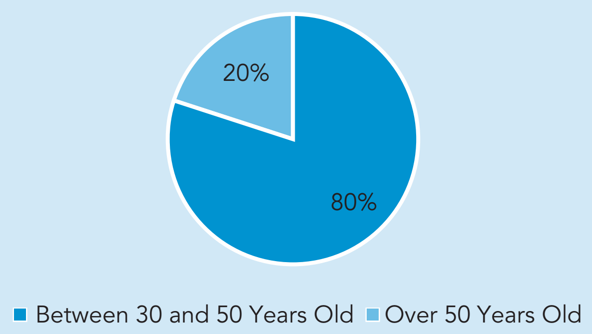
In Hong Kong, the Group complies with the Labour Law of Hong Kong and relevant employment laws and regulations during FY2020, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "EO") and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "ECO") by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees.

In accordance with the ESG Reporting Guide set out by HKEX, details of the Group's workforce during the reporting period are tabulated as well as presented in charts below.

Table 2 — Our Workforce

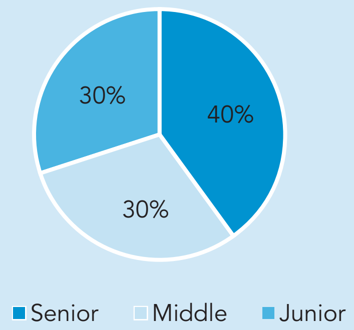
	FY2020
Total number of full-time employees	10
Turnover Rate by Gender	
Male	36%
Female	62%
Turnover Rate by Age	
Under 30 years old	Nil
30–50 years old	26%
Over 50 years old	20%

Total Workforce by Age Group as of 31 December 2020

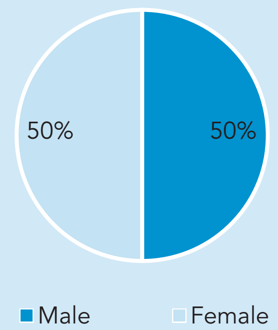


Environmental, Social and Governance Report

Total Workforce by Employment Level as of 31 December 2020



Total Workforce by Gender as of 31 December 2020



During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of human resources.

Environmental, Social and Governance Report

3.3. Health and Safety

The Group has been attaching great importance to a comfortable and safe working environment for our employees which protect them from potential occupational hazards and health and safety risks, in order to achieve zero tolerance of accidents and injuries.

As employees' health and safety is of paramount importance to the operation of the Group, the Group has accordingly formulated a series of relevant personnel management policy to provide employees with a healthy, positive and motivative working atmosphere.

The Group maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. We have taken the following measures:

- Maintaining air ventilation system in the office regularly;
- Regular carpet disinfection;
- Regularly participate in occupational health and safety related seminars;
- Prohibiting smoking and abuse of alcohol and drugs in the workplace;
- Providing clean and tidy rest area such as corridors and pantry;
- Providing adjustable chairs and monitors for eye protection;
- Setting up posters or warning labels for near areas of potential hazards in the office;
- Conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency; and
- Providing first aid kits and fire extinguishers in workplace in response to emergencies.

Additionally, the Group provides induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can.

Environmental, Social and Governance Report

The summary of work-related fatalities and injuries are summarized in the table below.

Table 3 — Health and Safety

	FY2020
Number of work-related fatalities	Nil
Work-related fatality rate	Nil
Number of injuries at work	Nil
Lost days due to injury at work	Nil

3.4. Development and Training

The Group envisions that empowering its people through development and training is the cornerstone of our success in the long run. The Group listens and responds to our people. We encourage our staff members to take part in the recommended training and development courses or programmes, which were provided by third-party institutions. Those training programmes were carefully considered and recommended not only based on relevancy of the knowledge and skillset to the current needs of the Group's operation, but also the career development of our staff members.

Considering that each of the position is of unique professional and technical needs, the Group ensures that every new joiner receives proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly. The Group is committed to continuous training. We offer subsidies or reimbursement of the training cost of selected relevant courses, programmes and professional exams so as to ensure that our staff members possess the appropriate professional qualities and skill sets. Implementation of safety training and comprehensive risk assessments are also one of the most important tasks in the Group.

Employees at all levels can satisfy their needs of training through various training and development programmes, including courses, conferences, seminars and/or further education programs such as one offered by reputable tertiary education institutions. The goal is to broaden the cross-section of knowledge and skillset among the staff members, which is expected to improve the Group's competitiveness. These training programs not only facilitate the career prospect of individual employee, but also boost the sustainable development of the Group.

The Group believes that such a corporate culture and harmonic working environment will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.

Environmental, Social and Governance Report

3.5 Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. New employees are required to provide true and accurate personal data when they are onboard. Recruiters should strictly review the entry documents including medical examination certificates, academic certificates and identity cards. The Group consciously selects suppliers and contractors in order to avoid the employment of any child labour or forced labour in the supply chain.

The Group strictly complies with the relevant laws and regulations, including the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong).

During the Reporting Period, no material non-compliance with the laws and regulations related to the prevention of child labour or forced labour have been found by the Group.

4. OPERATING PRACTICES

The Group is determined to disseminate the pursuit of sustainability into our core business which is regarded as part of the responsibility of an accountable corporate citizen. A series of management systems and procedures has been developed in alignment with the Corporate Governance required by the HKEX. Furthermore, the Group encourages all business partners to incorporate those sustainability practices and policies into their operation thoroughly in order to work together in our pursuit of sustainable development.

4.1. Supply Chain Management

The Group understands that supply chain management has always been one of the key aspects of the Group's operation. Our suppliers are mainly service provider. Our supply chain management team not only considers economic and commercial benefits during the tendering processes, but also evaluates the suppliers' and contractors' track record relating to legal and regulatory compliance which include safeguarding workers' health and safety, and mitigating environmental impacts.

In addition to purchasing products and services according to the specified standards, we have developed a vendor and supplier selection mechanism in which we require our potential suppliers to comply with all the applicable laws and regulations. The Group insists on choosing socially responsible supplier with specific local licenses; for instance, financial service providers must hold business licenses/certificates of the Hong Kong Securities and Futures Commission or other relevant institutions such as the Hong Kong Monetary Authority. To maintain a good corporate control and governance, the Group has developed a series of management system as and procedures in alignment with the Corporate Governance required by the HKEX. We are obliged to terminate the cooperation contract with suppliers that may cause or have caused serious legal violation.

We believe that, through the above review process, we can minimize the potential social risks associated with the supply chain management.

Environmental, Social and Governance Report

4.2. Product Responsibility

There is no product or service offered by the Group, this section is not applicable to the Group's core operation.

4.3. Privacy Protection

The Group is committed to compliance with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Corporate Finance Consultant Code of Conduct and local laws, to ensure that all data are securely kept in our internal system with access control. The Group has separated the customer data from other ordinary information to protect customers' privacy. Meanwhile, the Group regulates that only authorized personnel can access the personal data collected from the Group's customers. Through the internal training and confidential agreements with employees, the Group emphasizes confidentiality obligations and the legal consequences of the breaches of relevant rules.

4.4. Anti-corruption

Insisting on the honesty, integrity and fairness in all aspects of our business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group has developed a series of policies of anti-fraud and anti-bribery as part of the exercise of Corporate Governance.

The Group observed with related laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, such as the Prevention of Bribery Ordinance of Hong Kong (Chapter 201 of the Laws of Hong Kong), the Criminal Law of the PRC (《中華人民共和國刑法》), and the Regulations of the PRC for Suppression of Corruption (《中華人民共和國懲治貪污條例》). During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded.

Under the Group's whistleblower policy, our employees may anonymously report any suspected or actual event of bribery and corruption to their supervisor or management of higher level, including to an appropriate Board committee or members, without the threat of dismissal or retaliation. The supervisors, managers and/or Board members who receive the reports will promptly act to investigate the issue. The whistleblower shall receive a report within five business days of the initial report, regarding the investigation of the issue.

If our employees have any concern in relation to accounting controls and audit matters, they may report to the Audit Committee as well. The Audit Committee will review each complaint and decide how the investigation should be conducted. During the Reporting Period, the Audit Committee identified no complaint from employees.

Environmental, Social and Governance Report

5. COMMUNITY INVESTMENTS

The Group actively strives to making a better society through our active involvement in the community, putting the best effort in helping the local communities through voluntary activities and donation programs.

During the Reporting Period, the Group has participated the following activities:

"Green Low Carbon Day"

On 28 June 2020, the Group joined the activity "Green Low Carbon Day" organized by The Community Chest of Hong Kong. The Group encouraged all the employees to take a greener way of transportation and adopt a low-carbon lifestyle continuously. A total fund of HK$850 was raised among the Group as a support to The Community Chest of Hong Kong for green-related projects in Hong Kong.

"Community Chest Love Teeth Day 2020/2021"

To promote the caring spirit for the society, the Group participated in the Community Chest Love Teeth Day on 2 December 2020 organized by The Community Chest of Hong Kong. A total fund of HK$950 was raised by the Group as a support to enhance the oral health services of the needy in Hong Kong which carried out by the Chest's social welfare member agencies of The Community Chest of Hong Kong.

Be a socially responsible company, the Group will continue to attach great importance to community services, and will encourage our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

Independent Auditor's Report

LINKSFIELD CPA LIMITED
金道連城會計師事務所有限公司
Unit 1503, 15/F., Podium Plaza, 5 Hanoi Road,
Tsim Sha Tsui, Hong Kong
香港尖沙咀河內道5號普基商業中心15樓1503室

To the Shareholders of AID Life Science Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of AID Life Science Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 164, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

Key audit matters identified in our audit are summarised as follows.

- Impairment assessment of loans to an associate

- Fair value measurement of financial assets at fair value through profit or loss

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of loans to an associate	
Refer to Note 3.1 (financial risk factor), Note 4(i)(d) (critical accounting estimates and judgments) and Note 17 (Interest in and loans to an associate) to the consolidated financial statements for related disclosures. As at 31 December 2020, the Group had gross loans to an associate of approximately HK$60 million and the provision for impairment of HK$60 million. Impairment losses recognised in the consolidated statement of profit or loss for the year amounted to approximately HK$30 million. Under IFRS 9, the measurement of forward-looking expected credit loss ("ECL") requires the application of significant judgment and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models for exposures assessed individually, such as the expected future cash flows and forward-looking macroeconomic factors. We focused on this area because the gross carrying amount of loans to an associate is significant to the consolidated financial statements, the identification of whether exposures triggered deterioration in credit quality and the estimation of the individual impairment amount requires the use of significant judgments, estimates and forward-looking information.	We understood, evaluated and validated the credit control procedures performed by management, including its procedures including its procedures on periodic review of aged loans receivables, identification of events that triggered the provision for ECL of loans receivables and assessment on ECL allowance of loans to an associate. We obtained the associate's development plan, inquired of management about the status and checked the key documents of such plans. We circulated auditor's confirmations to test the existence of the loans receivables as at the end of the reporting period and tested the accuracy of the aging profile of loans receivables as at the end of the reporting period by checking to the underlying agreements; We assessed the reasonableness of the Group's calculation of the ECL model and the criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL provision matrix model which includes the past overdue records, historical settlement patterns and assessment of the probability of the recoverability of the loans receivables with reference to associates' principal and interest repayment records subsequent to the year end date and up to the date of this report. Based on our audit procedures, we were satisfied that management's assessments were consistent with the evidence that we obtained.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial assets at fair value through profit or loss	
Refer to Note 3.3 (Fair value estimation), Note 4(i)(c) (critical accounting estimates and judgments) and Note 19 (Financial assets at fair value through profit or loss) to the consolidated financial statements for related disclosures. As at 31 December 2020, the Group's financial assets at fair value through profit or loss of approximately HK$200 million, of which approximately HK$199 million were categorised as Level 3 within the fair value hierarchy. For Level 3 valuation, the Group engaged an independent professionally qualified valuer (the "external valuers") to apply valuation techniques to determine the fair values of the financial assets at fair value through profit or loss. These valuation techniques, in particular those that included significant unobservable inputs, involved subjective judgments, estimations and assumptions. The sensitivity of the assumptions used may have material impact on the valuation of these financial assets. We focused on this area due to the carrying amounts of the Investments is significant to the consolidated financial statements and the valuation methodologies of the investments require the use of significant judgments and estimates. These estimations are also subject to uncertainties.	We considered the competency, capability and objectivity of the independent, professional and qualified valuer by considering its qualification, relevant experience and relationship with the Group. We involved our internal valuation specialist in our discussion with the external valuer and management to understand the rationale and assess the appropriateness and consistency of the methodology used and the assumptions and estimates adopted in the valuation of the financial assets at fair value through profit or loss that were categorised as Level 3 within the fair value hierarchy by (i) examining the terms of the financial instruments and the relevant agreements; and (ii) assessing the key parameters used, such as implied equity value, volatility and risk-free rate, against available market information. Based on our audit procedures, we were satisfied that management's assessments were consistent with the evidence that we obtained.

Independent Auditor's Report

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 AND THE 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 IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the 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.

Independent Auditor's Report

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

We also provide the 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, related safeguards.

From the matters communicated with the 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 Kwok Chi Kan.

Linksfield CPA Limited
Certified Public Accountants

Hong Kong, 26 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	6	**4,023**	11,739
Cost of sales	9	**(2,893)**	(9,383)
Gross profit		**1,130**	2,356
Selling and distribution expenses	9	**–**	(454)
Administrative and operating expenses	9	**(37,990)**	(60,890)
Impairment losses on goodwill	16	**–**	(7,580)
Impairment losses on trade receivables	18(a)	**(2,645)**	(1,278)
Impairment losses on other receivables	18(b)	**(3,294)**	(7,896)
Impairment losses on interest in an associate	17	**(839)**	–
Impairment losses on loans to an associate	17(c)	**(29,589)**	(30,504)
Other income	7	**26,029**	7,814
Other losses — net	8	**(139,426)**	(30,968)
Operating loss		**(186,624)**	(129,400)
Finance costs	11	**(18,587)**	(16,344)
Share of results of an associate accounted for using the equity method	17	**(619)**	(6,287)
Loss before income tax		**(205,830)**	(152,031)
Income tax credit	12	**205**	2,372
Loss for the year		**(205,625)**	(149,659)
Loss attributable to:			
Owners of the Company		**(205,593)**	(141,458)
Non-controlling interests		**(32)**	(8,201)
		(205,625)	(149,659)
Loss per share attributable to owners of the Company:	13		
Basic loss per share (HK Cents)		**(37.52)**	(26.04)
Diluted loss per share (HK Cents)		**(37.52)**	(26.04)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Loss for the year		**(205,625)**	(149,659)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**214**	(964)
Share of other comprehensive loss of an associate	17	**–**	(675)
Other comprehensive income/(loss) for the year, net of tax		**214**	(1,639)
Total comprehensive loss for the year		**(205,411)**	(151,298)
Total comprehensive loss for the year			
Attributable to:			
Owners of the Company		**(205,376)**	(143,757)
Non-controlling interests		**(35)**	(7,541)
		(205,411)	(151,298)

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,078**	12,089
Right-of-use assets	15(a)	**5,541**	8,311
Intangible assets	16	**3,400**	5,196
Interest in an associate	17	**–**	1,458
Loans to an associate	17	**–**	27,431
Loan to an independent third party	18	**–**	6,354
Financial assets at fair value through profit or loss	19	**198,812**	42,660
		208,831	103,499
Current assets			
Contract assets	20	**–**	1,319
Trade and other receivables	18	**22,269**	10,516
Financial assets at fair value through profit or loss	19	**1,628**	361,965
Tax recoverable		**50**	431
Cash and cash equivalents	21	**30,292**	30,917
		54,239	405,148
Non-current liabilities			
Lease liabilities	15(b)	**3,672**	7,252
Deferred tax liabilities	24	**–**	332
		3,672	7,584
Current liabilities			
Trade and other payables	22	**5,370**	8,115
Lease liabilities	15(b)	**3,580**	2,991
Convertible bonds	23	**214,995**	197,095
Tax payable		**415**	–
		224,360	208,201

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Net current (liabilities)/assets		**(170,121)**	196,947
Total assets less current liabilities		**38,710**	300,446
Net assets		**35,038**	292,862
EQUITY			
Share capital	25	**8,580**	8,504
Reserves	26	**25,726**	228,917
Equity attributable to owners of the Company		**34,306**	237,421
Non-controlling interests		**732**	55,441
		35,038	292,862

The consolidated financial statements on pages 58 to 164 were approved and authorised for issue by the board of directors and were signed on its behalf by :

Chan Suet Ngan
Director

Hu Kenneth
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Total equity attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Capital reduction reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share-based compensation reserve HK$'000	Remuneration share reserve HK$'000	Foreign exchange reserve HK$'000	Other reserve HK$'000	Statutory surplus reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 January 2019	8,428	762,257	702,955	1,921	2,112	601	57,159	10,400	(3,048)	(20,798)	5,163	(1,150,548)	376,602	58,123	434,725
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(141,458)	(141,458)	(8,201)	(149,659)
Other comprehensive income/(loss):															
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(1,624)	–	–	–	(1,624)	660	(964)
Share of other comprehensive loss of an associate	–	–	–	–	–	–	–	–	(675)	–	–	–	(675)	–	(675)
Total comprehensive loss for the year	–	–	–	–	–	–	–	–	(2,299)	–	–	(141,458)	(143,757)	(7,541)	(151,298)
Remuneration shares issued for consultancy service (Note 25(a))	76	5,872	–	–	–	–	–	(1,372)	–	–	–	–	4,576	–	4,576
Disposals of subsidiaries as a result of loss of control, reclassified to profit or loss (Note 31(a))	–	–	–	–	–	–	–	–	–	(821)	–	821	–	4,859	4,859
At 31 December 2019	8,504	768,129	702,955	1,921	2,112	601	57,159	9,028	(5,347)	(21,619)	5,163	(1,291,185)	237,421	55,441	292,862

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Total equity attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Capital reduction reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share-based compensation reserve HK$'000	Remuneration share reserve HK$'000	Foreign exchange reserve HK$'000	Other reserve HK$'000	Statutory surplus reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 January 2020	8,504	768,129	702,955	1,921	2,112	601	57,159	9,028	(5,347)	(21,619)	5,163	(1,291,185)	237,421	55,441	292,862
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(205,593)	(205,593)	(32)	(205,625)
Other comprehensive income/(loss):															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	217	-	-	-	217	(3)	214
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	217	-	-	(205,593)	(205,376)	(35)	(205,411)
Remuneration shares issued for consultancy service (Note 25(a))	76	5,872	-	-	-	-	-	(3,687)	-	-	-	-	2,261	-	2,261
Disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(54,674)	(54,674)
Lapse of share options	-	-	-	-	-	-	(271)	-	-	-	-	271	-	-	-
Cancellation of share options	-	-	-	-	-	-	(2,310)	-	-	-	-	2,310	-	-	-
At 31 December 2020	8,580	774,001	702,955	1,921	2,112	601	54,578	5,341	(5,130)	(21,619)	5,163	(1,494,197)	34,306	732	35,038

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash used in operations	29(a)	**(9,474)**	(38,140)
Income tax refunded/(paid)		**288**	(519)
Net cash used in operating activities		**(9,186)**	(38,659)
Cash flows from investing activities			
Interest income received		**3,744**	933
Purchase of property, plant and equipment	14	**(81)**	(233)
Purchase of intangible assets	16	**(207)**	–
Proceeds from disposals of property, plant and equipment		**24**	10
Loans repayment from independent third parties		**–**	15,366
Disposal of subsidiaries, net of cash	31	**1,666**	4,449
Proceeds from disposal of financial assets at fair value through profit or loss		**7,664**	12,613
Net cash generated from investing activities		**12,810**	33,138
Cash flows from financing activities			
Interests paid on borrowings		**–**	(418)
Principal elements of lease payment	15(b)	**(2,991)**	(3,123)
Interest elements of lease payment	15(b)	**(687)**	(989)
Net cash used in financing activities		**(3,678)**	(4,530)
Net decrease in cash and cash equivalents		**(54)**	(10,051)
Cash and cash equivalents as at 1 January		**30,917**	40,538
Effect of exchange rate changes on cash and cash equivalents		**(571)**	430
Cash and cash equivalents as at 31 December	21	**30,292**	30,917

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 February 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000. The Company and its subsidiaries are together referred to as the Group hereinafter.

The Company acts as the holding company of the Group. The Group is principally engaged in the business of strategic investment.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures requirements of the Hong Kong Companies Ordinance Cap. 622 and the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules").

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments), which are measured at fair value.

(a) Going Concern

During the year ended 31 December 2020, the Group reported a loss for the year of approximately HK$206 million and had a net operating cash outflow of approximately HK$9 million. In addition, the Group's current liabilities exceeded its current assets by approximately HK$170 million as at 31 December 2020.

In August 2020, a winding up petition was filed by the Company and joint provisional liquidators ("JPLs") were appointed to assist the Company to review all issues relating to the feasibility of debt restructuring plan. The JPLs provided reports to the Cayman Court on the latest status and progress of the restructuring proposal on a time-to-time basis.

In February 2021, the Group completed the restructuring of its major debt, convertible bonds of approximately HK$215 million, which were replaced by a loan from an independent third party, repayable in August 2022.

In March 2021, as agreed by the JPLs, the liquidity issue of the Company has been resolved. The JPLs have therefore been discharged and the Company has exited the provisional liquidation (for restructuring purposes).

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of eighteen months from 31 December 2020. The directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2020. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and amended Standards, Interpretations and Framework issued that are applicable to accounting periods beginning on or after 1 January 2020

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material — amendments to IAS 1 and IAS 8
- Definition of a Business — amendments to IFRS 3
- Hedge accounting — amendments to IAS 39, IFRS 7 and IFRS 9
- Revised Conceptual Framework for Financial Reporting — Conceptual Framework for Financial Reporting 2018

The adoption of new and amended Standards and Framework ("Amendments") does not have any significant change to the accounting policies or any significant impact on the results and financial position of the Group.

(c) New and amended Standards, Interpretations issued that are not yet effective and have not been early adopted by the Group

A number of new Amendments that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2020 and have not been early adopted by the Group are as follow:

		Effective for annual years beginning on or after
IFRS 17	Insurance Contracts (new standard)	1 January 2023
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendment to Annual Improvements Project	Annual Improvements to IFRSs 2018–2020	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2022
IFRS 16	Covid-19-Related Rent Concessions (amendments)	1 June 2020
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) New and amended Standards, Interpretations issued that are not yet effective and have not been early adopted by the Group (Continued)

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new Amendments to existing standards. These Amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new Amendments to existing standards when they become effective.

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividend received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

(iv) Changes in ownership interests (continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Business combinations (continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration payable is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "Other losses — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(iii) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Currency translation differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

• Leasehold land and buildings	2% or over the term of the leases, which ever is shorter
• Plant and machinery	15%
• Computer hardware and software	33 $^{1}/_{3}$%
• Furniture and fixtures	7%–20%
• Leasehold improvements	10%–20% or over the term of the leases, which ever is shorter
• Office equipment	33 $^{1}/_{3}$%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other income" in the consolidated statement of profit or loss.

2.8 Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

(ii) Acquired intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Amortisation is recognised in consolidated statement of profit or loss and is provided on straight-line method over their estimated useful lives as follows:

Intellectual property	5 years
Non-compete agreements of mobile game business	5 years
Know-how	10 years
Non-compete agreements of health technology business	3 years
Mobile game license	3 years
Mobile game development	3 years
Movie rights	1–3 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Club membership with indefinite life is carried at cost less any subsequent accumulated impairment losses.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVTOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets (continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses — net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other losses — net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other losses — net and impairment expenses are presented as separate line item in profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other losses — net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other losses — net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets (continued)

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Notes 18 and 20 for further details.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 Research and development costs

Research expenditure is expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 18 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts, if any. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.15 Share capital

Ordinary shares and redeemable convertible preference shares are classified as equity (Note 25).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Current and deferred income tax (continued)

Deferred income tax (continued)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

(i) Employee leave entitlement

Employee entitlements to long service payment and annual leave are recognised when they accrue to employees. Provision is made for the estimated liabilities for long service payment and annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) Retirement benefit scheme

The Group participates in the following retirement benefit schemes and pays contributions to independently administrated funds on a mandatory or contractual basis. Assets of these schemes are held separately from those of the Group in independently administrated funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant Group companies. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense on accrual basis.

All eligible employees have participated in the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong. Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. There is no voluntary contribution from the Group nor the employees and there are no other legal or constructive obligations to the Group.

The employees of the Group's subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(ii) Retirement benefit scheme (continued)

The employees of the Group's subsidiary operating in Japan are required to participate in a defined contribution retirement plan to which the contributions are calculated as a percentage of employees' basic salaries. The retirement benefit plan cost charged to profit or loss represents contribution payable by the Group to the fund.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Short-term employee benefits

These are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

The Group recognises termination benefits at on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Share-based payments

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees, consultants and directors as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customer, or the lessee has the right to use the asset, at an amount that reflects consideration to which the Group is expected to be entitled, in exchange for those goods or services excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

— provides all of the benefits received and consumed simultaneously by the customer;

— creates or enhances an asset that the customer controls as the Group performs; or

— does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

When either party to a contact has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. Contract assets and assets arising from costs to obtain or fulfil a contract that are recognised in accordance with IFRS 15. The Group uses practical expedients to recognise the incremental costs of obtaining a contract as an expense when incurred as the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

If a customer pays consideration before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

A receivable is recognised when the products are delivered and the customers accept the products, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Further details of the Group's revenue and other income recognition policies are as follows:

— Revenue from sales of in-app purchase items is recognised at a point in time on individual transaction basis upon the successful download of the in-app purchase items. Customers obtain control of the in-app purchase items when they received in- app purchase items in mobile game apps. There is generally only one performance obligation.

— Advertising income is recognised over time and is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

  For fixed-price advertising contracts, customer usually pays a fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

— Revenue from game publishing services is recognised as follows:

The Group is engaged in the provision of mobile game publishing services through cooperation with upstream game developers, downstream platforms and third party payment vendors to players. The Group publishes third party developers' games on its own and third party platforms.

The Group's game publishing service income is pre-determined according to the relevant terms entered into between the Group and the licensor of the game. The games published on the platforms are hosted, maintained and updated by the licensor of the game, and the Group mainly provides access to the platforms and after-sale basic technical support to the paying players. The Group has evaluated and determined it is not the primary obligors in the services rendered to the players. Accordingly, the Group is acting as an agent in these arrangements and records its revenue, net of portion of sharing of revenues with the game developers when the players purchase in-game virtual items from the relevant mobile games.

Game publishing service income is recognised based on the actual service provided to the end of the reporting period as a proportion on the total services to be provided.

— Real-time video streaming income is recognised when control has transferred, being at a point in time when customer consumed the virtual items in exchange for the service provided and there is no unfulfilled obligation that could affect the customer's acceptance of service.

— Revenue from shared use facilities income is recognised when control has transferred, being at a point in time when customer uses the facilities provided by the Group and there is no unfulfilled obligation that could affect the customer's acceptance of service.

— Interest income is recognised on a time-proportion basis using the effective interest method.

— Leasing income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

— Sundry income is recognised on an accrual basis.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Notes to the Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Notes to the Financial Statements

For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's foreign currency transactions are mainly denominated in Renminbi ("RMB"), HK$ and United States dollar ("US$"). The majority of assets and liabilities are denominated in RMB, HK$ and US$, and there are no significant assets and liabilities that are denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities denominating in a currency other than RMB, HK$ and US$, which are the functional currencies of the major operating companies within the Group. The Group currently does not hedge its foreign currency exposure.

For the companies with HK$ as their functional currency, the management considers the foreign exchange risk with respect to US$ is not significant as HK$ is pegged to US$ and transactions denominated in US$ are mainly carried out by entities with the same functional currency. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The functional currency of the PRC reporting entities is RMB and the transactions are mostly denominated in RMB, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

Notes to the Financial Statements

For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group's exposure to listed equity securities and bonds price risk arises from investments held by the Group and classified in the consolidated statement of financial position at fair value through profit or loss (Note 19).

To manage its price risk arising from investments in listed equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

As at 31 December 2020, if the share price of the investment increase/decrease by 10%, the loss for the year would have been HK$163,000 (2019: HK$1,086,000) lower/higher, arising as a result of the fair value gain/loss of the investments.

(iii) Cash flow and fair value interest rate risk

The income and operating cash flows of the Group are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets, except for deposits placed with banks, loans to an associate and loan to an independent third party (2019: deposits placed with banks, loans to an associate and loans to independent third parties).

As at 31 December 2020 and 2019, except for deposit placed with banks, the Group has no significant interest-bearing financial assets and liabilities with a floating interest rate, the Group's results and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2020 and 2019, the Group's loans to an associate and independent third parties are all issued at fixed rates which expose the Group to fair value interest rate risk. Management considers the fair value exposure of the fixed rate loans to an associate and independent third parties are insignificant to the Group.

Notes to the Financial Statements

For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(b) Credit risk

Credit risk is primarily attributable to loans to an associate, loan to an independent third party, trade and other receivables, contract assets, financial asset at fair value through profit or loss and cash at bank.

The Group's credit risk is primarily attributable to its trade and other receivables arising from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position. The Group trades only with recognised and creditworthy third parties on specific terms mutually agreed prior to any business transaction. Management of the Group closely monitors the credit-worthiness of the counterparties to ensure full recovery, including scrutinising their financial position. In this regard, the Directors consider that the Group's credit risk is minimal.

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportive, including historical experience and forwarding-looking information that are available without undue cost or effect. In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- existing or expected significant adverse changes in business, financial, economic, technological or legal conditions that are expected to cause a significant deterioration to the debtor's ability to meet its obligations;
- an actual or expected significant deterioration in the operating results of the debtors;
- failure to make payment of principal or interest on their contractually due dates;
- current and forward-looking information on macroeconomic factors affecting the ability of counterparty to settle the receivables, such as GDP, unemployment rate, government policies changes in jurisdiction with operations by the Group, etc, which are relevant to adjusting the expected loss rates.

Notes to the Financial Statements

For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(b) Credit risk (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group accounts for its credit risk by appropriately providing for ECLs on a timely basis in accordance to general approach or simplified approach under IFRS 9. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

No significant changes to estimation techniques or assumptions were made during the reporting period.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2020, 89% (2019: 31%) and 99% (2019: 89%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed 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. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected credit loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

As at 31 December 2020, the balance of loss allowance of trade receivables was HK$3,981,000 (2019: HK$1,124,000).

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(b) Credit risk (continued)

Trade receivables and contract assets (continued)

Impairment losses on receivables are presented in the consolidated statement of profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recognised in other income in the consolidated statement of profit or loss, if any.

Others receivables and loans receivables

The management of the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and loans receivables based on historical settlement records and past experiences looking forward. The Group measures credit risk in accordance to the general approach under IFRS 9.

- Other receivables and loans receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECLs is measured on a 12-month basis.

- If a significant increase in credit risk (specifically, when the debtor is more than 30 day past due on its contractual payments) since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The ECLs loss is measured on lifetime basis.

- If the financial instrument is credit-impaired (specifically, when there is evidence indicating the debtor is in severe financial difficulty or it is probable that the debtor will enter bankruptcy or other financial reorganisation), the financial instrument is then moved to "Stage 3". The ECLs is measured on lifetime basis.

The receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2020, the balance of loss allowance in respect of these individually assessed receivables was HK$10,317,000 (2019: HK$7,896,000).

Loans to an associate and an independent third party

As at 31 December 2020, for the gross carrying amounts of loans to an associate of approximately HK$60,093,000 (2019: HK$57,935,000), it was classified in Stage 3 (2019: Stage 2) and the loss allowance associated with these loans was approximately HK$60,093,000 (2019: HK$30,504,000).

For the loan to an independent third party, the default risk is low and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

Notes to the Financial Statements

For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(b) Credit risk (continued)

For the cash at bank, deposits of the Group are mainly placed with state-owned financial institutions and reputable banks.

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivables. The Group did not hold any collateral as security for these receivables as at 31 December 2020 and 2019.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors, which has built an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. Cash management of all operating entities is centralised, including raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in short and long terms.

The following table details the Group's remaining contractual maturities for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk.

As at 31 December 2020

	Less than 1 month or on demand HK$'000	1–3 months HK$'000	3 months– 1 year HK$'000	1–5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount as at 31 December HK$'000
Non-derivatives:						
Trade and other payables*	(5,155)	(60)	–	–	(5,215)	(5,215)
Lease liabilities	–	(1,004)	(3,011)	(3,820)	(7,835)	(7,252)
Convertible bonds	(214,995)	–	–	–	(214,995)	(214,995)
TOTAL	(220,150)	(1,064)	(3,011)	(3,820)	(228,045)	(227,462)

Notes to the Financial Statements

For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

(c) Liquidity risk (continued)
As at 31 December 2019

	Less than 1 month or on demand HK$'000	1–3 months HK$'000	3 months– 1 year HK$'000	1–5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount as at 31 December HK$'000
Non-derivatives:						
Trade and other payables*	(6,885)	–	(797)	–	(7,682)	(7,682)
Lease liabilities	–	(915)	(2,763)	(7,835)	(11,513)	(10,243)
Convertible bonds	–	–	(197,315)	–	(197,315)	(197,095)
TOTAL	(6,885)	(915)	(200,875)	(7,835)	(216,510)	(215,020)

* Excluded from trade and other payables of HK$5,370,000 (2019: HK$8,115,000) is an amount of HK$155,000 (2019: HK$433,000) representing estimated payments for long service and unconsumed leave, the settlement which will depend upon either the termination of services of the relevant staff and management discretion respectively, and therefore the liquidity terms cannot be reasonably ascertained.

As at 31 December 2020 and 2019, no banking facility was available to the Group.

3.2 Capital risk management

The Group's objectives when managing capital are:

(a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) to support the Group's stability and growth;

(c) to provide capital for the purpose of strengthening the Group's risk management capability; and

(d) to provide capital for purposes of potential mergers and acquisitions.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Directors review the capital structure annually. As part of this review, the Directors assess the annual budget prepared by management of the Company and consider the cost of capital and the risks associated with each class of capital.

The Group is not subject to externally imposed capital requirements.

Notes to the Financial Statements

For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

For capital management purpose, the Directors regard the total equity presented in the face of consolidated statement of financial position as capital. The amount of capital attributable to owners of the Company as at 31 December 2020 was HK$34,306,000 (2019: HK$237,421,000).

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts are calculated as total borrowings (including convertible bonds and borrowings) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts.

The gearing ratios at 31 December 2020 and 2019 were as follows:

	2020 **HK$'000**	2019 HK$'000
Convertible bonds	**214,995**	197,095
Less: Cash and cash equivalents	**(30,292)**	(30,917)
Net debts	**184,703**	166,178
Total equity	**35,038**	292,862
Total capital	**219,741**	459,040
Gearing ratio	**84%**	36%

The increase in gearing ratio as at 31 December 2020 was mainly due to the decrease in total equity as a result of loss incurred for the year.

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The level in the fair value hierarchy within which the financial assets and liabilities is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Notes to the Financial Statements

For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2020			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
— Listed equity investments	1,628	–	–	1,628
— Subscription of the convertible bonds of China Creative Digital Entertainment Limited ("China Creative") (Note (ii))	–	–	–	–
— Unlisted equity investments				
— AID Partners Autonomous, LP (the "Partnership") (Note (iv))	–	–	187,613	187,613
— Investment A (Note (v))	–	–	31	31
— Investment B (Note (vi))	–	–	4,085	4,085
— Other instruments	–	–	7,083	7,083
	1,628	–	198,812	200,440

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For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

	2019			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
— Listed equity investments	2,502	–	–	2,502
— Bond investments (Note (i))	8,355	–	–	8,355
— Subscription of the convertible bonds of China Creative Digital Entertainment Limited ("China Creative") (Note (ii))	–	–	41,775	41,775
— Unlisted equity investments				
— Zoox (Note (iii))	–	–	309,333	309,333
— Investment A (Note (v))	–	–	32,260	32,260
— Investment B (Note (vi))	–	–	6,500	6,500
— Other instruments	–	–	3,900	3,900
	10,857	–	393,768	404,625

There have been no significant transfers of financial assets or liabilities between levels 1, 2 and 3 fair value hierarchy classifications in the reporting period.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the chief financial officer ("CFO") and independent external valuers will be engaged, if necessary. Discussions of valuation processes and results are held between the CFO and the valuation team at least once every year.

Notes to the Financial Statements

For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable input (Level 3) are as follows:

Financial assets at fair value through profit or loss

	2020 HK$'000	2019 HK$'000
As at 1 January	**393,768**	404,091
Additions	**254,588**	–
Deemed disposal of a subsidiary (Note 31 (c))	**(309,333)**	–
Fair value losses, net	**(140,467)**	(10,157)
Exchange alignment	**256**	(166)
As at 31 December	**198,812**	393,768
Unrealised losses recognised in the consolidated statement of profit or loss attributable to balance at the end of the reporting period	**(140,467)**	(10,157)

Notes:

(i) Bond investments represented publicly traded bonds at market value, which are measured by the Group at FVTPL.

(ii) The fair value of the convertible bonds of China Creative as at 31 December 2019 was valued by a firm of independent professional valuers, Grant Sherman Appraisal Limited. The debt component of the convertible bonds of China Creative is valued using discounted cash flow method. The derivative component of the convertible bonds of China Creative is valued using the Binomial Option Pricing model.

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

Notes: (continued)

(ii) (continued)

The inputs into the valuations of the convertible bonds of China Creative as at 31 December 2019 were as follows:

	As at 31 December 2019
Discount rate	14.71%
Expected volatility	80.83%
Expected life	1.32 years
Risk-free rate	2.07%
Credit spread	7.68%
Expected dividend yield	0%

As at 31 December 2020 and 2019, the fair values of the convertible bonds of China Creative was HK$Nil and HK$41,775,000 respectively.

The management has reviewed the Annual Report 2019-2020 and Interim Report 2020-2021 of China Creative, and believed that the full impairment of convertible bonds of China Creative is appropriate as the price that would be received from sell of convertible bonds of China Creative in an orderly transaction between market participants would be insignificant.

(iii) As at 31 December 2019, equity investments with fair value of US$39,658,000 (equivalent to approximately HK$309,333,000) represented the series A preferred stocks of Zoox Inc. ("Zoox"), a company incorporated in the United States of America with limited liability. Zoox was principally engaged in robotics and pioneering autonomous mobility. The fair value of the investment in Zoox as at 31 December 2019 was measured by a firm of independent professional valuers, Grant Sherman Appraisal Limited, using the Option Pricing Model under the equity value allocation method. The inputs into the valuation as at 31 December 2019 were as follows:

	As at 31 December 2019
Time-to-liquidity event	5 years
Volatility	50.68%
Risk-free rate	1.71%
Dividend yield	0%

(iv) The principal activities of the Partnership was the holding of equity investments in financial and emerging technologies, including Zoox. The Group's interest was approximately 82.3% of issued share capital of the Partnership. The fair value as at 31 December 2020 represented the Group's share of net asset value of the Partnership as reported on the audited financial statements as at the reporting date. The audited financial statements were audited by an external independent auditor who has issued unmodified audit opinion.

(v) Investment A represented the investment of 39% interest in a private fund established in the Cayman Islands. The objective of the private fund is to achieve long-term capital appreciation and returns by holding equity securities of companies in the technology sector. The fair values as at 31 December 2020 and 2019 represented the Group's share of net asset value of the private fund as reported on the audited financial statements as at the respective reporting dates. The audited financial statements were audited by an external independent auditor who has issued unmodified audit opinion in both years.

Notes to the Financial Statements

For the year ended 31 December 2020

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair Value Estimation (continued)

Notes: (continued)

(vi) Investment B represented the investment of 13% interest in a private company in the Peoples' Republic of China. The principal activities is the development and operation of electric vehicle charging piles. The fair values of the investment as at 31 December 2020 and 2019 are measured by Grant Sherman Appraisal Limited using the discounted cash flow method. The inputs into the valuation as at 31 December 2020 and 2019 were as follows:

	As at 31 December 2020	As at 31 December 2019
Discount rate	**25%**	28%
Long term growth rate	**3%**	3%
Lack of marketability discount	**40%**	30%

When discount rate increases by 5% to 30%, the Group's investment in investment B will decreases by RMB1,015,000 (equivalent to approximately HK$1,205,000); When discount rate decreases by 5% to 20%, the Group's investment in investment B will increase by RMB1,746,000 (equivalent to approximately HK$2,075,000).

(vii) Valuation techniques used by different investments are considered on a case-by-case basis.

3.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying values:

- Loans to an associate
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Convertible bonds
- Lease liabilities

3.5 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020 and 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are discussed below:

(a) Impairment of intangible assets, property, plant and equipment and interest in an associate

If circumstances indicate that the carrying amounts of intangible assets, property, plant and equipment, and interest in an associate may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in Notes 2.9 and 3.1. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of revenue and amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Notes to the Financial Statements

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

(b) Useful lives of other intangible assets and property, plant and equipment

The Group determines the estimated useful lives and related amortisation and depreciation charges for its other intangible asset with definite useful life and property, plant and equipment, respectively. This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Fair values of financial instruments

Financial instruments such as financial assets at FVTPL are initially measured at fair value. Certain financial instruments as described in Note 2.10 are re-measured at fair value at subsequent reporting dates. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group uses the values determined by the internal or external valuation techniques to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities requires varying degrees of judgment by management, which may result in different fair values and results. The assumptions with regard to the fair value of financial assets at FVTPL as detailed in Note 19, might cause material adjustments to the carrying amounts of assets and liabilities within the next accounting year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

(d) Impairment of contract assets, trade and other receivables and loans to an associate

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Further information on the impairment of contract assets and trade and other receivables is included in Note 3.1(b).

(e) Current taxation and deferred taxation

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which the final tax outcome is determined.

Deferred tax assets relating to certain tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact, where applicable and appropriate, the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

Deferred tax liabilities arise when the carrying amounts of the identifiable assets acquired in a business combination are recognised at their fair values at the acquisition date but the tax bases of the assets remain at cost to the previous owner, therefore a taxable temporary difference arises.

Notes to the Financial Statements

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(ii) Critical judgments in applying the Group's accounting policies

Control over a subsidiary

On 2 April 2015, the Group has expanded its business in the development, distribution and operating of mobile games ("mobile games"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under the PRC laws and regulations. Accordingly, the wholly foreign-owned enterprise within the Group cannot acquire equity interest in the PRC entity, which holds certain licenses and permits required for the operation of mobile games business. As a result, the Group acquired 70% equity interest in Honestway Global Group Limited ("HGGL"), a limited liability company incorporated in the British Virgin Islands, which indirectly wholly-owned a foreign-owned enterprise, 深圳八零八八科技有限公司 (Shenzhen 8088 Technology Co., Ltd.* or "SZ8088"), and SZ8088 entered into contractual arrangements ("Contractual Arrangements") with a company with limited liability established in the PRC, 上海威搜游科技有限公司 (Shanghai VSOYOU Technology Co., Ltd.* or "VSOYOU"), and its respective registered shareholders in order to conduct the mobile games business in the PRC and to assert management control over the operation of, and enjoy all economic benefits of VSOYOU.

SZ8088 has entered into a series of Contractual Arrangements between VSOYOU and its respective registered shareholders which enable SZ8088 to:

— exercise effective financial and operating control over VSOYOU;

— exercise equity holders' voting rights of VSOYOU under the proxy agreement;

— receive substantially all of the economic interest returns generated by VSOYOU in consideration for the technology services, marketing services and other services provided by SZ8088 under the exclusive consultancy agreement;

— obtain irrecoverable and exclusive option right to purchase the entire equity interest in VSOYOU from the respective registered shareholders at a minimum purchase price permitted by PRC laws and regulations. SZ8088 may exercise such options at any time until it has acquired all equity interests of VSOYOU;

— obtain a pledge over the entire equity interest of VSOYOU from its respective registered shareholders as collateral security for all of VSOYOU's payments due to SZ8088 and to secure the performance of VSOYOU's obligations under the Contractual Arrangements;

— provide interest-free loan facilities of up to an amount to be agreed to the respective registered shareholder who shall only contribute the loan to the registered capital of VSOYOU for the development of the business of VSOYOU under the loan agreement. The loan shall be repaid by way of transfer of the equity interest in VSOYOU held by the respective registered shareholder to SZ8088 or its nominee(s); and

— purchase copyrights in respect of software for the games owned by VSOYOU at a consideration to be determined and settled in cash under the asset purchasing agreement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(ii) Critical judgments in applying the Group's accounting policies (continued)

Control over a subsidiary (continued)

The Group does not have any equity interest in VSOYOU. However, as a result of the effective execution of Contractual Arrangements, the Group has rights to variable returns from its involvement with VSOYOU and has the ability to affect those returns through its power over VSOYOU and is considered to control VSOYOU indirectly through SZ8088. Consequently, the Company regarded VSOYOU as its indirect non-wholly owned subsidiary and the Group consolidated the financial position and performance of VSOYOU in the consolidated financial statements since the date of acquisition. On 9 September 2016, the Group further acquired the remaining 30% of the issued share capital of HGGL, through acquiring the entire issued share capital of Rosy Year Investments Limited, a limited liability company incorporated in the British Virgin Islands, at a cash consideration of HK$42,000,000. Since then, VSOYOU is considered to be an indirect wholly-owned subsidiary of the Group. Significant judgments have been exercised by management in assessing and concluding VSOYOU as a subsidiary of the Group.

Further details of the Contractual Arrangements are set out in the Company's announcement dated 1 December 2014 and the circular dated 2 March 2015.

* The English translation of Chinese name of the PRC entities, if any, is included for identification only and should not be regarded as their official English translation.

Power to exercise significant influence

For certain investments with equity interests over 20%, management has assessed but there is an absence of any control, jointly control nor exercise significant influence over these companies as the Group did not participate in the financial and operating decisions of these companies during the year. Accordingly the Directors are in the opinion that the investments are not deemed to be associates and accounted for as financial assets at FVTPL.

5. SEGMENT INFORMATION

No separate analysis of segment information is presented by the Group for the years ended 31 December 2020 and 2019 as the chief operating decision makers, which are collectively the Executive Directors of the Company, identify all of the Group's assets, liabilities, revenue and results are related to the strategic investment business.

The segment of strategic investment mainly comprises investments in healthcare and technology business.

Notes to the Financial Statements

For the year ended 31 December 2020

5. SEGMENT INFORMATION (continued)

Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and loan to an independent third party ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**1,590**	2,846	**9,462**	41,661
The PRC	**2,433**	8,893	**180**	1,997
Other Asian countries	**–**	–	**377**	10,827
	4,023	11,739	**10,019**	54,485

Key customers

During the year ended 31 December 2020, there were five customers (2019: three) which individually contributed over 10% of the Group's total revenue, the revenue contributed from each of these customers was as follows:

	For the year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Customer A	**–**	4,483
Customer B	**–**	1,437
Customer C	**–**	1,339
Customer D	**1,003**	–
Customer E	**810**	–
Customer F	**728**	–
Customer G	**596**	–
Customer H	**556**	–

Notes to the Financial Statements

For the year ended 31 December 2020

6. REVENUE

Revenue represents the (i) sales of in-app purchase items, (ii) advertising income, (iii) game publishing service income, (iv) real-time video streaming income and (v) shared use facilities income. An analysis of revenue is as follows:

	2020 HK$'000	2019 HK$'000
Major products/services		
Sales of in-app purchase items	**1,488**	3,946
Advertising income	**102**	6,240
Game publishing service income	**6**	–
Real-time video streaming income	**1,424**	695
Shared use facilities income	**1,003**	858
	4,023	11,739
Timing of revenue recognition		
At a point in time	**3,921**	5,499
Over time	**102**	6,240
	4,023	11,739

Notes to the Financial Statements

For the year ended 31 December 2020

6. REVENUE (continued)

Assets and liabilities related to contracts with customers

The following table provides information about contract assets from contracts with customers:

	2020 **HK$'000**	2019 HK$'000
Contract assets, net (Note 20)	–	1,319

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2020 **HK$'000**	2019 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	2,132

Due to the short-term nature of the related service contracts, the entire contract liabilities balance at the year end would be recognised into revenue in the next period. As permitted under IFRS 15, the transaction price allocated to those unsatisfied performance obligations/contracts which have an original expected duration of one year or less is not disclosed.

Notes to the Financial Statements

For the year ended 31 December 2020

7. OTHER INCOME

	2020 **HK$'000**	2019 HK$'000
Bank interest income	**284**	543
Interest income on loan to an independent third party	**470**	861
Interest income on a loan to a shareholder of an investee	**3,460**	–
Interest income on loans to an associate	**1,223**	713
Interest income on loaned securities to an investee	**3,294**	3,928
License fee income from a related company	**351**	468
Bad debt recovery	**13,144**	–
Reversal of impairment losses on other receivables (Note 18(b))	**873**	–
Written off of trade payables	**1,568**	–
Others	**1,362**	1,301
	26,029	7,814

8. OTHER LOSSES — NET

	2020 **HK$'000**	2019 HK$'000
Fair value losses on financial assets at fair value through profit or loss, net (Note 19)	**(142,032)**	(27,120)
Gains/(losses) on disposal of subsidiaries (Note 31)	**2,505**	(5,226)
Foreign exchange gains, net	**101**	1,378
	(139,426)	(30,968)

Notes to the Financial Statements

For the year ended 31 December 2020

9. EXPENSES BY NATURE

	2020	2019
	HK$'000	HK$'000
Auditor's remuneration:		
— audit services	**700**	850
— non-audit services	**520**	216
Cost of sales	**2,893**	9,383
Employee benefit expense (including directors' remuneration (Note 10(h))	**14,847**	21,872
Amortisation of intangible assets (Note 16)	**1,997**	10,614
Depreciation of property, plant and equipment (Note 14)	**1,367**	2,612
Depreciation of right-of-use assets (Note 15(a))	**2,770**	3,147
Research and development costs	**–**	2,573
Written off of trade receivables	**1,544**	–
Consultancy service settled by remuneration shares (Note 25(a))	**2,260**	4,576
Others	**11,985**	14,884
Total cost of sales, selling and distribution and administrative and operating expenses	**40,883**	70,727

Notes to the Financial Statements

For the year ended 31 December 2020

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

	Fees HK$'000	Salaries and allowances HK$'000	Retirement fund contributions HK$'000	Total HK$'000
2020				
Executive Directors:				
Chan Suet Ngan	465	2,029	21	2,515
Hu Kenneth	465	1,159	27	1,651
Qian Alexandra Gaochuan (Note (i))	4	1,471	8	1,483
Non-Executive Director:				
Wu King Shiu, Kelvin (Note (ii))	50	2,553	8	2,611
Independent Non-Executive Directors:				
Yuen Kwok On	120	–	–	120
Matsumoto Hitoshi (Note (iii))	60	–	–	60
Yau Chung Hang	120	–	–	120
Ip Wing Wai (Note (iv))	60	–	–	60
	1,344	7,212	64	8,620

Notes:

(i) Resigned as an Executive Director on 1 June 2020.

(ii) Resigned as a Non-Executive Director and Chairman on 1 June 2020.

(iii) Resigned as an Independent Non-Executive Director on 30 June 2020.

(iv) Appointed as an Independent Non-Executive Director on 30 June 2020.

Notes to the Financial Statements

For the year ended 31 December 2020

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' remuneration (continued)

	Fees HK$'000	Salaries and allowances HK$'000	Retirement fund contributions HK$'000	Total HK$'000
2019				
Executive Directors:				
Wu King Shiu, Kelvin (Note (i))	109	1,897	16	2,022
Chan Suet Ngan	10	1,040	18	1,068
Hu Kenneth	10	806	18	834
Qian Alexandra Gaochuan	10	806	18	834
Non-Executive Directors:				
Wu King Shiu, Kelvin (Note (i))	–	–	–	–
Xu Haohao (Note (ii))	150	–	–	150
Independent Non-Executive Directors:				
Fong Janie (Note (iii))	100	–	–	100
Yuen Kwok On	180	–	–	180
Matsumoto Hitoshi	180	–	–	180
Yau Chung Hang (Note (iv))	51	–	–	51
	800	4,549	70	5,419

Notes:

(i) Re-designated from an Executive Director to a Non-Executive Director and Chairman on 4 February 2019.

(ii) Resigned as a Non-Executive Director on 26 September 2019.

(iii) Resigned as an Independent Non-Executive Director on 30 April 2019.

(iv) Appointed as an Independent Non-Executive Director on 29 July 2019.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2020 (2019: Nil).

Notes to the Financial Statements

For the year ended 31 December 2020

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2020 (2019: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2020, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2019: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2020 or at any time for the year ended 31 December 2020 (2019: Nil).

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 included four Directors (2019: four Directors) whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining one (2019: one) individuals during the year are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**903**	782
Retirement fund contributions	**18**	18
	921	800

Notes to the Financial Statements

For the year ended 31 December 2020

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(g) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
Nil to HK$1,000,000	**1**	1

(h) Employee benefit expense (including directors' remuneration)

	2020	2019
	HK$'000	HK$'000
Fees	**1,344**	800
Salaries, allowances and benefits in kind	**11,958**	19,356
Bonus paid and payable	**1,237**	875
Retirement fund contributions	**308**	841
	14,847	21,872

11. FINANCE COSTS

	2020	2019
	HK$'000	HK$'000
Effective interest expense on convertible bonds		
— wholly repayable within five years (Note 23)	**17,900**	15,270
Interest expenses on lease liabilities (Note 15(b))	**687**	989
Others	**–**	85
	18,587	16,344

Notes to the Financial Statements

For the year ended 31 December 2020

12. INCOME TAX CREDIT

	2020 **HK$'000**	2019 HK$'000
Hong Kong		
— Current tax for the year	**415**	–
— (Over)/under-provision in respect of prior year	**(72)**	72
The PRC		
— Current tax for the year	**–**	3
— Over-provision in respect of prior years	**(216)**	–
Total current income tax	**127**	75
Deferred tax credit (Note 24)	**(332)**	(2,447)
Income tax credit	**(205)**	(2,372)

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%.

Accordingly, for the years ended 31 December 2020 and 2019, 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. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Notes to the Financial Statements

For the year ended 31 December 2020

12. INCOME TAX CREDIT (continued)

The Group's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at the tax rate of 25% (2019: 25%). One of the Group's major operating subsidiaries, VSOYOU, was established in the PRC and carries on business in the PRC as a software enterprise. This subsidiary has, pursuant to the relevant laws and regulations in the PRC, obtained exemption from PRC Enterprise Income Tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years (the "Tax Exemption"). This subsidiary which is currently entitled to the Tax Exemption from 1 January 2015 would continue to enjoy such treatments until the Tax Exemption period expires, but not beyond 31 December 2019.

Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions for the years ended 31 December 2020 and 2019.

Reconciliation between income tax credit and accounting loss at applicable tax rates is as follows:

	2020 **HK$'000**	2019 HK$'000
Loss before income tax	**(205,830)**	(152,031)
Tax at the domestic income tax rates	**(33,962)**	(25,085)
Tax calculated at domestic tax rates applicable in the respective countries	**(1,179)**	(1,759)
Tax effect of share of losses of an associate	**102**	1,038
Tax effect of non-taxable income	**(9,346)**	(2,566)
Tax effect of non-deductible expenses	**43,685**	24,877
Tax effect of unrecognised temporary differences	**72**	(88)
Tax effect of unrecognised tax losses	**942**	853
Utilisation of tax losses previously not recognised	**(231)**	–
Tax effect of tax exemption granted to PRC subsidiaries	**–**	286
(Over)/under-provision in respect of prior years	**(288)**	72
Income tax credit	**(205)**	(2,372)

Notes to the Financial Statements

For the year ended 31 December 2020

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

Basic loss per share is calculated by dividing loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
(HK$'000)		
Loss attributable to owners of the Company	**(205,593)**	(141,458)
(Number of shares)		
Weighted average number of ordinary shares	**548,010,694**	543,143,649
(HK cents)		
Basic loss per share attributable to the owners of the Company	**(37.52)**	(26.04)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all potentially dilutive ordinary shares. The Company has two (2019: three) categories of potentially dilutive ordinary shares: remuneration shares and share options (2019: remuneration shares, share options and convertible bonds). For the remuneration shares and share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding remuneration shares and share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The conversion period for the convertible bonds had expired in July 2020.

For the years ended 31 December 2020 and 2019, diluted loss per share is the same as the basic loss per share as the conversion/exercise of potential ordinary shares in relation to the outstanding remuneration shares, share options and convertible notes would have anti-dilutive effects to the basic loss per share.

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For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Computer hardware and software HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Total HK$'000
Cost							
As at 1 January 2019	10,207	7,660	2,087	931	2,903	95	23,883
Additions	–	56	177	–	–	–	233
Disposals	–	–	(13)	–	–	–	(13)
Disposal of GeneSort Group (Note 31(a))	–	(6,210)	(1,973)	(250)	(55)	–	(8,488)
Exchange alignment	–	190	48	5	(6)	–	237
As at 31 December 2019 and 1 January 2020	**10,207**	**1,696**	**326**	**686**	**2,842**	**95**	**15,852**
Additions	**–**	**–**	**54**	**5**	**–**	**22**	**81**
Disposals	**–**	**–**	**(168)**	**–**	**–**	**–**	**(168)**
Disposal of Captain Win (Note 31(e))	**(10,207)**	**–**	**–**	**–**	**(499)**	**–**	**(10,706)**
Exchange alignment	**–**	**–**	**26**	**10**	**26**	**–**	**62**
As at 31 December 2020	**–**	**1,696**	**238**	**701**	**2,369**	**117**	**5,121**
Accumulated depreciation							
As at 1 January 2019	99	1,419	1,012	291	1,328	19	4,168
Charge for the year	635	942	473	152	360	50	2,612
Written back on disposals	–	–	(3)	–	–	–	(3)
Disposal of GeneSort Group (Note 31(a))	–	(1,646)	(1,350)	(64)	(11)	–	(3,071)
Exchange alignment	–	38	27	(1)	(7)	–	57
As at 31 December 2019 and 1 January 2020	**734**	**753**	**159**	**378**	**1,670**	**69**	**3,763**
Charge for the year	**179**	**565**	**113**	**128**	**358**	**24**	**1,367**
Written back on disposals	**–**	**–**	**(145)**	**–**	**–**	**–**	**(145)**
Disposal of Captain Win (Note 31(e))	**(913)**	**–**	**–**	**–**	**(86)**	**–**	**(999)**
Exchange alignment	**–**	**–**	**22**	**9**	**26**	**–**	**57**
As at 31 December 2020	**–**	**1,318**	**149**	**515**	**1,968**	**93**	**4,043**
Net book value							
As at 31 December 2020	**–**	**378**	**89**	**186**	**401**	**24**	**1,078**
As at 31 December 2019	9,473	943	167	308	1,172	26	12,089

Depreciation expenses of HK$1,367,000 (2019: HK$2,612,000) has been charged to administrative and operating expenses.

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For the year ended 31 December 2020

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

The carrying amount of right-of-use assets and depreciation by class of underlying assets at the end of the reporting period are as follows:

	2020 HK$'000	2019 HK$'000
Right-of-use assets		
— Properties leased for own use	5,541	8,311
Depreciation charged to administrative and operating expenses		
— Properties leased for own use	2,770	3,147

There was no addition to the right-of-use assets during the years ended 31 December 2020 and 2019.

(b) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	3,580	4,015	2,991	3,678
After 1 year but within 2 years	3,672	3,820	3,580	4,015
After 2 years but within 5 years	–	–	3,672	3,820
	7,252	7,835	10,243	11,513
Less: total future interest expenses		(583)		(1,270)
Present value of lease liabilities		7,252		10,243
Categorised as:				
Current portion		3,580		2,991
Non-current portion		3,672		7,252
		7,252		10,243

The total cash outflow for leases during the year ended 31 December 2020 was HK$3,678,000 (2019: HK$4,112,000) including the payment of principal elements and interest elements of lease liabilities amounting to HK$2,991,000 (2019: HK$3,123,000) (Note 29(b)) and HK$687,000 (2019: HK$989,000) (Note 11) respectively.

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16. INTANGIBLE ASSETS

	Goodwill HK$'000 (Note (a))	Non-compete agreements of mobile game business HK$'000 (Note (b))	Know-how HK$'000 (Note (c))	Non-compete agreements of health technology business HK$'000 (Note (c))	Others HK$'000 (Note (d))	Total HK$'000
At 1 January 2019						
Cost	180,040	26,610	37,189	1,039	22,940	267,818
Accumulated amortisation and impairment	(119,981)	(19,958)	(5,424)	(505)	(15,472)	(161,340)
Net book amount	60,059	6,652	31,765	534	7,468	106,478
Year ended 31 December 2019						
Opening net book amount	60,059	6,652	31,765	534	7,468	106,478
Disposals of GeneSort Group (Note 31(a))	(52,479)	–	(30,216)	(390)	–	(83,085)
Amortisation	–	(5,322)	(1,549)	(144)	(3,599)	(10,614)
Impairment	(7,580)	–	–	–	–	(7,580)
Exchange alignment	–	–	–	–	(3)	(3)
Closing net book amount	–	1,330	–	–	3,866	5,196
At 31 December 2019						
Cost	127,561	26,610	6,973	649	22,940	184,733
Accumulated amortisation and impairment	(127,561)	(25,280)	(6,973)	(649)	(19,074)	(179,537)
Net book amount	–	1,330	–	–	3,866	5,196

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16. INTANGIBLE ASSETS (continued)

	Goodwill HK$'000 (Note (a))	Non-compete agreements of mobile game business HK$'000 (Note (b))	Know-how HK$'000 (Note (c))	Non-compete agreements of health technology business HK$'000 (Note (c))	Others HK$'000 (Note (d))	Total HK$'000
Year ended 31 December 2020						
Opening net book amount	–	1,330	–	–	3,866	5,196
Addition	–	–	–	–	207	207
Amortisation	–	(1,330)	–	–	(667)	(1,997)
Exchange alignment	–	–	–	–	(6)	(6)
Closing net book amount	–	–	–	–	3,400	3,400
At 31 December 2020						
Cost	127,561	26,610	6,973	649	23,147	184,940
Accumulated amortisation and impairment	(127,561)	(26,610)	(6,973)	(649)	(19,747)	(181,540)
Net book amount	–	–	–	–	3,400	3,400

Amortisation of HK$1,997,000 (2019: HK$10,614,000) has been charged to administrative and operating expenses.

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16. INTANGIBLE ASSETS (continued)

Notes:

(a) Goodwill acquired through acquisition of subsidiaries is allocated to the Group's CGUs.

(i) HGGL Group

The recoverable amount of HGGL Group as at 31 December 2019 to which the goodwill relates was determined based on a value in use calculation. The calculation was based on financial budgets covering a five-year period approved by management and followed by an extrapolation of expected cash flows with 3% growth rate. Key assumptions were based on past performance, management estimation on market development and general inflation based on the growth rates which did not exceed the long-term average growth rates for the business in which the CGU operates. The discount rate used for value in use calculations was pre-tax and reflected specific risks relating to the relevant CGU. Accordingly, an impairment of HK$7,580,000 was recognised in profit or loss for the year ended 31 December 2019 due to unfavourable change in market condition of mobile-online games business in the PRC.

The key assumptions used for value in use calculations are as follows:

	HGGL Group 2019
Terminal growth rate	3%
Pre-tax discount rate	32.1%

Apart from the considerations described above in determining the value in use of the CGUs, management was not aware of any other probable changes that would necessitate changes in the key assumptions.

(ii) GeneSort Group

In May 2019, goodwill was derecognised when GeneSort Group was disposed of as detailed in Note 31(a).

Notes to the Financial Statements

For the year ended 31 December 2020

16. INTANGIBLE ASSETS (continued)

Notes: (continued)

(b) Non-compete agreements of mobile game business refer to the restrictive covenants included in employment contracts of certain key management personnel of VSOYOU who agreed not to enter into or start a similar profession or trade in competition against VSOYOU's business.

(c) Know-how and non-compete agreements of health technology business arose from acquisition of approximately 73.7% equity interest in GeneSort Group on 11 July 2017, and derecognised when GeneSort Group was disposed of in May 2019 as detailed in Note 31(a).

Know-how represents a series of diagnostic tests identifying key mutations contributory to disease development and progression in cancer tissues, as well as genetic screening tests to identify individual susceptibility to cancer risk based on a technology referred to as Next Generation Sequencing ("NGS") for the analysis of NGS data and for generating individual personalised medical treatment options reports.

Non-compete agreements of health technology business refer to the restrictive covenants included in the sale and purchase agreement of previous shareholders of GeneSort Group who agreed not to enter into or start a similar profession or trade in competition against the business of GeneSort Group.

(d) As at 31 December 2020, others represented (i) a mobile game license with net carrying amount of HK$Nil (2019: HK$566,000); (ii) a club membership with net carrying amount of HK$3,300,000 (2019: HK$3,300,000); and (iii) movie rights with net carrying amount of HK$100,000 (2019: Nil).

For the impairment testing on club membership, the recoverable amount was determined based on fair value less costs of disposals which represented the market price less cost of disposal as at 31 December 2020 and 2019 and no impairment was considered necessary.

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17. INTEREST IN AN ASSOCIATE AND LOANS TO AN ASSOCIATE

Movements on interest in an associate during the years are as follows:

	Notes	2020 HK$'000	2019 HK$'000
As at 1 January		**1,458**	–
Additions (Note 31(a))	(b)	**–**	8,420
Share of losses, net of tax		**(619)**	(6,287)
Share of other comprehensive loss of an associate		**–**	(675)
Impairment losses on interest in an associate		**(839)**	–
As at 31 December		**–**	1,458
Loans to an associate, net	(c)	**–**	27,431

Notes:

(a) Particulars of the associate are as follows:

Name	Place of incorporation and kind of legal entity	Particular of registered capital	Percentage of interest held 2020	Percentage of interest held 2019	Principal activities	Measurement method
GeneSort International Inc.	British Virgin Islands, limited liability company	USD50,000	**23.89%**	23.89%	Investment holding	Equity method

The associate is a private company therefore no quoted market price available for its shares.

There were no contingent liabilities relating to the Group's interest in an associate as at 31 December 2020 and 2019.

(b) The fair value of the interest in an associate as at the date of initial recognition was using the Option Pricing Model under equity value allocation method. The fair value of an associate as at the date of initial recognition was valued by a firm of independent professional valuers, Grant Sherman Appraisal Limited. The inputs into the valuation as at date of initial recognition were as follows:

	As at date of initial recognition
Time-to-liquidity event	5 years
Volatility	35.50%
Risk-free rate	0.95%
Dividend yield	0%

17. INTEREST IN AN ASSOCIATE AND LOANS TO AN ASSOCIATE (continued)

Notes: (continued)

(c) Loans to an associate

	2020 HK$'000	2019 HK$'000
Loans to an associate	60,093	57,935
Less: provision for impairment of loans to an associate	(60,093)	(30,504)
Loans to an associate, net	–	27,431

The movements on the provision for impairment of loans to an associate are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	30,504	–
Provision for impairment losses for the year	29,589	30,504
At end of the year	60,093	30,504

Based on the assessment of the expected credit losses (refer to Note 3.1(b), the Group has made a provision for impairment of loans to an associate of approximately HK$29,589,000 during the year ended 31 December 2020 (2019: HK$30,504,000).

The loans to an associate are unsecured, interest bearing at 5% to 10% per annum, denominated in USD and repayable in May 2021 and April 2022 respectively.

(d) Summarised unaudited financial information in respect of the Group's associate is set out below. The associate was accounted for in the consolidated financial statements using equity method. The summarised unaudited financial information represents amounts shown in the financial statements of the associate, after fair value adjustments, prepared in accordance with IFRSs.

	Year ended 31 December 2020 HK$'000	For the period from 31 May 2019 (date of initial recognition) to 31 December 2019 HK$'000
Revenue	73	–
Other income	4,609	141
Loss for the year/period	(2,589)	(26,315)
Other comprehensive loss	–	(2,826)
Total comprehensive loss	(2,589)	(29,141)

Notes to the Financial Statements

For the year ended 31 December 2020

17. INTEREST IN AN ASSOCIATE AND LOANS TO AN ASSOCIATE (continued)

Notes: (continued)

(d) (continued)

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Current assets	**203**	2,855
Non-current assets	**–**	2,213
Current liabilities	**(39,472)**	(11,748)
Non-current liabilities	**(27,163)**	(57,163)
	(66,432)	(63,843)

No dividend is received from the associate during the years ended 31 December 2020 and 2019.

18. TRADE AND OTHER RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Trade receivables	(a)	**5,980**	5,256
Less: provision for impairment of trade receivables		**(3,981)**	(1,124)
Trade receivables, net		**1,999**	4,132
Other receivables	(b)	**21,715**	11,977
Less: provision for impairment of other receivables		**(10,317)**	(7,896)
Other receivables, net		**11,398**	4,081
Loan to an independent third party	(c)	**6,824**	6,354
Trade receivables, net		**1,999**	4,132
Other receivables, net		**11,398**	4,081
Loan to an independent third party		**6,824**	6,354
Rental and other deposits		**1,193**	1,280
Prepayments		**855**	1,023
At end of the year		**22,269**	16,870
Categorised as:			
Current portion		**22,269**	10,516
Non-current portion		**–**	6,354
		22,269	16,870

Notes to the Financial Statements

For the year ended 31 December 2020

18. TRADE AND OTHER RECEIVABLES (continued)

Notes:

(a) Trade receivables

As at 31 December 2020 and 2019, ageing analysis of trade receivables based on invoice date and net of impairment losses is as follows:

	2020 HK$'000	2019 HK$'000
Current	**237**	727
0–30 days	**14**	195
31–60 days	**14**	286
61–90 days	**7**	532
Over 90 days	**1,727**	2,392
	1,999	4,132

As at 31 December 2020, trade receivables of HK$1,748,000 (2019: HK$3,211,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2020 HK$'000	2019 HK$'000
Past due but not impaired:		
0 to 30 days	**14**	286
31 to 60 days	**7**	257
61 to 120 days	**213**	275
Over 120 days	**1,514**	2,393
	1,748	3,211

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18. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(a) Trade receivables (continued)

The movements on the provision for impairment of trade receivables are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	**1,124**	7,367
Provision for impairment losses for the year	**2,645**	1,278
Written off	**–**	(7,393)
Exchange alignment	**212**	(128)
At end of the year	**3,981**	1,124

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

(b) Other receivables

As at 31 December 2020, other receivables mainly represented borrowing fee and late interest receivable from China Creative of HK$9,205,000 (2019: HK$5,911,000) and amount due from a former subsidiary, Captain Win Limited of HK$10,515,000 (2019: Nil). A provision for impairment of HK$3,294,000 (2019: HK$7,896,000) was made with reference to the recoverable amount for the year ended 31 December 2020.

The movements on the provision for impairment of other receivables are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	**7,896**	–
Provision for impairment losses for the year	**3,294**	7,896
Reversal of impairment losses (Note 7)	**(873)**	–
At end of the year	**10,317**	7,896

(c) Loan to an independent third party

As at 31 December 2020, loan to an independent third party represented a loan with a principal amount of HK$5,883,000 (2019: HK$5,883,000) and interest receivable of HK$941,000 (2019: HK$471,000) to a former subsidiary, Prestige Creation Limited, which was secured, interest bearing at 8% per annum and repayable in December 2021. The loan was not past due nor impaired as at 31 December 2020 and 2019.

(d) The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

The carrying amounts of trade and other receivables approximate fair values, due to the short-term nature as at 31 December 2020 and 2019.

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification of financial assets at fair value though profit or loss

Financial assets measured at fair value through profit or loss ("FVTPL") include the following:

	2020	2019
	HK$'000	HK$'000
Non-current assets		
Unlisted equity investments		
— The Partnership (Note 3.3(iv))	**187,613**	–
— Investment A (Note 3.3(v))	**31**	32,260
— Investment B (Note 3.3(vi))	**4,085**	6,500
— Other instruments	**7,083**	3,900
	198,812	42,660
Current assets		
Bond investments (Note (i))	**–**	8,355
Subscription of the convertible bonds of China Creative (Note 3.3(ii))	**–**	41,775
Unlisted equity investments		
— Zoox (Note 3.3(iii))	**–**	309,333
Listed equity investments	**1,628**	2,502
	1,628	361,965
	200,440	404,625

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Movements of financial assets at FVTPL

	2020 **HK$'000**	2019 HK$'000
Bond investments		
As at 1 January	**8,355**	7,059
Disposals	**(7,664)**	–
Fair value (losses)/gains for the year	**(691)**	1,296
As at 31 December	**–**	8,355
Subscription of the convertible bonds of China Creative		
As at 1 January	**41,775**	36,573
Fair value (losses)/gains for the year	**(41,775)**	5,202
As at 31 December	**–**	41,775
Listed and unlisted equity investments		
As at 1 January	**354,495**	398,406
Additions (Note (ii) and 31(c))	**254,588**	2,486
Deemed disposal of the Partnership (Note 31(c))	**(309,333)**	–
Proceeds of disposals	**–**	(12,613)
Loss on disposals	**–**	(6,225)
Fair value gains for the year — Zoox	**–**	47
Fair value losses for the year — the Partnership	**(66,975)**	–
Fair value losses for the year — Listed equity investments	**(874)**	(12,034)
Fair value losses for the year — Investments A and B	**(34,900)**	(15,406)
Fair value gains for the year — other instrument	**3,183**	–
Exchange alignment	**256**	(166)
As at 31 December	**200,440**	354,495
Total	**200,440**	404,625
Fair value losses on financial assets at FVTPL, net	**(142,032)**	(20,895)
Loss on disposal of financial assets at FVTPL, net	**–**	(6,225)
Total net losses recognised in profit or loss relating to financial assets at FVTPL held by the Group for the year (Note 8)	**(142,032)**	(27,120)

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

(i) Bond investments represented publicly traded bonds at market value, which are measured by the Group at FVTPL.

(ii) On 27 May 2019, the Group disposed of equity interest in GeneSort Group in return for equity interest in a listed entity which is classified as financial assets at FVTPL at HK$2,486,000 (Note 31(a)).

On 13 July 2020, the Group disposed of equity interest in AID Partners Autonomous GP Ltd (the "General Partner"). As a result, the Group would cease to have management and investment control over the Partnership through the General Partner. Therefore, the Partnership and its subsidiaries would also cease to be accounted for as subsidiaries of the Group, and the interest in the Partnership is accounted for as a financial asset at FVTPL at HK$254,588,000 (Note 31(c)).

20. CONTRACT ASSETS

	2020	2019
	HK$'000	HK$'000
Contract assets	–	1,319
Less: provision for impairment of contract assets	–	–
Contract assets, net	–	1,319
Contract assets arising from:		
Performance under advertising contracts	–	1,319

The movements on the provision for impairment of contract assets are as follows:

	2020	2019
	HK$'000	HK$'000
At beginning of the year	–	13,424
Write off	–	(13,190)
Exchange alignment	–	(234)
At end of the year	–	–

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21. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash and cash equivalents	**30,292**	30,917

Cash at bank earns interest at floating rates based on daily bank balances and deposit rates.

As at 31 December 2020, cash and bank balances of the Group amounted to approximately HK$1,095,000 (2019: HK$1,823,000) were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control. Under the PRC'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 the banks which are authorised to conduct foreign exchange business.

22. TRADE AND OTHER PAYABLES

	Note	2020 HK$'000	2019 HK$'000
Trade payables	(a)	**2,490**	4,126
Other payables		**1,568**	1,998
Accrued charges		**1,312**	1,991
		5,370	8,115

Note:

(a) As at 31 December 2020 and 2019, the ageing analysis of trade payables based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
0–30 days	**105**	147
31–60 days	**165**	136
61–90 days	**21**	88
Over 90 days	**2,199**	3,755
	2,490	4,126

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23. CONVERTIBLE BONDS

2015 HK$140 million Convertible Bonds

	2015 HK$140 million Convertible Bonds (Note) HK$'000
Initial recognition	
Convertible bonds — financial liabilities at amortised cost	137,579
Equity component (Note 26(c))	1,921

Summarised below is the movement of convertible bonds during the year:

	2015 HK$140 million Convertible Bonds (Note) HK$'000
As at 1 January 2019	181,825
Interest expense (Note 11)	15,270
As at 31 December 2019 and 1 January 2020	**197,095**
Interest expense (Note 11)	**17,900**
As at 31 December 2020	**214,995**

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23. CONVERTIBLE BONDS (continued)

2015 HK$140 million Convertible Bonds (continued)

Note:

In July 2015, the Company entered into a subscription agreement (the "Subscription Agreement") with Hong Kong HNA Holding Group Co. Limited ("HNA") pursuant to which HNA agreed to subscribe the convertible bonds in principal amount of HK$140,000,000, bearing a compound interest rate of 8% per annum (the "2015 HK$140 million Convertible Bonds"). On 20 July 2015, all the conditions precedent set out in the Subscription Agreement were fulfilled and that the issue of the 2015 HK$140 million Convertible Bonds was completed.

The 2015 HK$140 million Convertible Bonds is convertible at the option of the bondholder at any business day during the period commencing from the date falling on the first anniversary of the issue date up to and including the date falling seven days prior to the fifth anniversary of the date of issue of the 2015 HK$140 million Convertible Bonds (the "Maturity Date") at a price of HK$0.325 per share initially. The 2015 HK$140 million Convertible Bonds is only transferrable with prior notification to the Company and may be transferred in integral multiples of HK$1,000,000. The Company may, having given not less than thirty days' notice to the bondholder, redeem the 2015 HK$140 million Convertible Bonds then outstanding, at a premium of 10% above the outstanding principal amount of the 2015 HK$140 million Convertible Bonds, in integral multiples of HK$1,000,000 at any time prior to the Maturity Date and subject to bondholder's agreement.

The conversion option embedded in the 2015 HK$140 million Convertible Bonds meets the definition of equity instrument of the Company, and is classified as equity and presented separately from the liability component of the 2015 HK$140 million Convertible Bonds.

Interest expenses of the 2015 HK$140 million Convertible Bonds for the year ended 31 December 2020 are calculated using effective interest method by applying effective interest rate of 8.3% (2019: 8.3%) per annum to the liability component.

The fair value of the liability component of 2015 HK$140 million Convertible Bonds is determined by using the discounted cash flow method, with the following key assumptions:

Fair value of shares of the Company	HK$0.285 each
Time to maturity	5 years
Dividend yield	0%
Discount rate	8.3%

The convertible bonds was restructured in February 2021 as detailed in Note 2.1(a).

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24. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under liability method using the rates of taxation prevailing in the countries in which the Group's subsidiaries operate.

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

	Fair value adjustments arising from the acquisition of subsidiaries and business	
	2020	2019
	HK$'000	HK$'000
As at 1 January	**332**	10,546
Credited to consolidated statement of profit or loss (Note 12)	**(332)**	(2,447)
Disposal of subsidiaries (Note 31(a))	**–**	(7,767)
As at 31 December	**–**	332

Deferred tax credit arising from deferred tax liabilities recognised

The amount credited to consolidated statement of profit or loss relating to the amortisation of intangible assets.

Deferred tax assets/(liabilities) not recognised

The major deferred tax assets/(liabilities) not recognised in the consolidated statement of financial position are as follows:

	Unutilised tax losses*	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000
The PRC	**5,380**	**–**	**5,380**
Hong Kong	**159**	**165**	**324**
As at 31 December 2020	**5,539**	**165**	**5,704**

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24. DEFERRED TAX LIABILITIES (continued)

	Unutilised tax losses* HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
The PRC	4,789	–	4,789
Hong Kong	39	93	132
As at 31 December 2019	4,828	93	4,921

* The tax losses of subsidiaries operating in Hong Kong can be carried forward indefinitely if certain criteria can be met under the respective tax jurisdictions.

Tax losses of subsidiaries operating in the PRC can be carried forward for five years. They will be expire from 2022 to 2025 (2019: 2022 to 2024).

No recognition of potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential deferred tax assets is uncertain.

Pursuant to the PRC Enterprise Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements. The applicable tax rate for the Group is 10%.

As at 31 December 2020, no deferred tax liability has been recognised on temporary difference in relation to the undistributed earnings of approximately HK$325,000 (2019: HK$450,000) of subsidiaries in the PRC because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not reverse in foreseeable future.

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25. SHARE CAPITAL

	Number of ordinary shares	Number of redeemable convertible preference shares ("RCPSs")	Nominal value US$'000	Equivalent nominal value HK$'000
Authorised				
As at 1 January 2019, 31 December 2019 and 31 December 2020 (par value of US$0.002 each)	**95,000,000,000**	**5,000,000,000**	**200,000**	**1,560,000**
Issued and fully paid				
As at 1 January 2019 (par value of US$0.002 each)	540,232,005	–	1,080	8,428
Remuneration shares issued for consultancy service (Note (a))	4,875,000	–	10	76
As at 31 December 2019 (par value of US$0.002 each)	**545,107,005**	**–**	**1,090**	**8,504**
Remuneration shares issued for consultancy service (Note (a))	**4,875,000**	**–**	**10**	**76**
As at 31 December 2020 (par value of US$0.002 each)	**549,982,005**	**–**	**1,100**	**8,580**

Note:

(a) On 28 May 2019, the Company has issued 4,875,000 remuneration shares at an issue price of HK$1.60 per share as compensation for the consultancy service as detailed in Note 26(g).

On 28 May 2020, the Company has issued 4,875,000 remuneration shares at an issue price of HK$1.60 per share a compensation for the consultancy service as detailed in Note 26(g).

Notes to the Financial Statements

For the year ended 31 December 2020

26. RESERVES

Group

	Notes	2020 HK$'000	2019 HK$'000
Share premium	(a)	**774,001**	768,129
Capital reduction reserve	(b)	**702,955**	702,955
Convertible bonds equity reserve	(c)	**1,921**	1,921
Capital reserve	(d)	**2,112**	2,112
Capital redemption reserve	(e)	**601**	601
Share-based compensation reserve	(f)	**54,578**	57,159
Remuneration share reserve	(g)	**5,341**	9,028
Foreign exchange reserve	(h)	**(5,130)**	(5,347)
Other reserve	(i)	**(21,619)**	(21,619)
Statutory surplus reserve	(j)	**5,163**	5,163
Accumulated losses		**(1,494,197)**	(1,291,185)
		25,726	228,917

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on pages 62 to 63. Nature and purpose of the reserves is as follows:

(a) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) Capital reduction reserve

This represents the credit arising from the Capital Reduction by reducing the par value of each of the issued ordinary shares from US$0.01 to US$0.0001 by cancelling the paid up share capital to the extent of US$0.0099 per issued ordinary share in 2017. At the effective date of the Capital Reduction, the credit arising as a result was applied towards offsetting the accumulated losses of the Company as at the date, thereby reducing the accumulated losses of the Company. The balance of credit was transferred to the capital reduction reserve account of the Company which may be utilised by the Directors as a capital reduction reserve.

Notes to the Financial Statements

For the year ended 31 December 2020

26. RESERVES (continued)

Group (continued)

(c) Convertible bonds equity reserve

This represents the amount allocated to the unexercised equity component of convertible bonds issued by the Company.

(d) Capital reserve

This represents a capital reserve arose from the acquisition of a subsidiary in 2000.

(e) Capital redemption reserve

This represents the repurchase of shares of the Company listed on the Stock Exchange. These repurchased shares were cancelled upon repurchase and, accordingly, the nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to the accumulated losses and share premium accounts.

(f) Share-based compensation reserve

This relates to share options granted to employees, consultants and directors under the Company's Share Option Scheme. Further information about share-based payments to directors, consultants and employees and other eligible person is set out in Note 27.

(g) Remuneration share reserve

On 5 May 2017, the Group entered into a consulting service agreement with an independent third party (the "Consultant"), pursuant to which, the Group engaged the Consultant to provide consultancy services (the "Consultancy Services") for a term of 5 years commencing from 5 May 2017. As consideration for the Consultancy Services, the Group will pay the Consultant a total sum of HK$39,000,000 by way of the issue and allotment (or procure the issue and allotment of) new ordinary shares of the Company in five tranches, of which the first tranche of 97,500,000 new ordinary shares at an issue price of HK$0.08 per share were issued on 25 May 2017, the second tranche of 97,500,000 new ordinary shares at an issue price of HK$0.08 per share were issued on 28 May 2018, the third tranche of 4,875,000 new ordinary shares at an issue price of HK$1.6 per share were issued on 28 May 2019 and the fourth tranche of 4,875,000 new ordinary shares at an issue price of HK$1.6 per share were issued on 28 May 2020. Further details were set out in the Company's announcement dated 5 May 2017.

Notes to the Financial Statements

For the year ended 31 December 2020

26. RESERVES (continued)

Group (continued)

(h) Foreign exchange reserve

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in the foreign exchange reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in Note 2.6.

(i) Other reserve

As at 31 December 2020, other reserve represented the difference between the consideration received and the carrying amount of net assets attributable to the reduction of equity interest in HMV Brave Co., Ltd. disposed of to non-controlling shareholders; and difference between the consideration paid and carrying amount of net assets attributable to the acquisition of the remaining 30% of the issued share capital of HGGL.

(j) Statutory surplus reserve

In accordance with the PRC Companies Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to statutory surplus reserve until such reserve which is 50% of its registered capital. Such reserve may be used, upon approval by the relevant authorities, to offset accumulated losses incurred by the subsidiary or be capitalised as paid-up capital of the subsidiary. The statutory surplus reserve is non-distributable.

(k) Dividend

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

Notes to the Financial Statements

For the year ended 31 December 2020

27. SHARE OPTION SCHEME

The Company's share option scheme which was adopted on 27 March 2002 (the "2002 Share Option Scheme") was expired and a new share option scheme (the "2014 Share Option Scheme") was adopted by an ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company on 15 April 2014 (the "Adoption Date"). The 2014 Share Option Scheme constitutes a share option scheme governed by Chapter 23 of the GEM Listing Rules and will remain in force for 10 years from the Adoption Date.

Upon the expiry of the 2002 Share Option Scheme, no further option can be offered thereunder but any options granted prior to such expiry but not yet exercised shall continue to be valid and exercisable.

The Company operates both the 2002 Share Option Scheme and the 2014 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Pursuant to the 2014 Share Option Scheme, the Directors may grant options to eligible participants persons (as defined in the 2014 Share Option Scheme) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

2002 Share Option Scheme

The remaining share options granted under the 2002 Share Option Scheme are for other eligible participants and are exercisable as follows:

(a) the first 30% of the options between the first and tenth anniversary of the date of grant;

(b) the next 30% of the options between the second and tenth anniversary of the date of grant; and

(c) the remaining options between the third and tenth anniversary of the date of grant.

Notes to the Financial Statements

For the year ended 31 December 2020

27. SHARE OPTION SCHEME (continued)

2002 Share Option Scheme (continued)

The following table discloses movements in the outstanding options granted by the Company under the 2002 Share Option Scheme during the years ended 31 December 2020 and 2019:

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise Period (dd/mm/yyyy)	Exercise price per share HK$	Number of shares options: Balance as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2020	Options exercisable as at 31 December 2020
2020	07/10/2010	Former directors and former employees	07/10/2011 to 06/10/2020	4.00	118,528	–	–	(118,528)	–	–
	16/03/2012	Former directors and former employees	16/03/2013 to 15/03/2022	4.00	267,129	–	–	–	267,129	267,129
	14/05/2012	Former directors and former employees	14/05/2013 to 13/05/2022	3.80	292,968	–	–	–	292,968	292,968
				Total	678,625	–	–	(118,528)	560,097	560,097
			Weighted average exercise price (HK$)		3.91	–	–	4.00	3.90	

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (dd/mm/yyyy)	Exercise price per share HK$	Number of share options: Balance as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2019	Options exercisable as at 31 December 2019
2019	07/10/2010	Former directors and former employees	07/10/2011 to 06/10/2020	4.00	118,528	–	–	–	118,528	118,528
	16/03/2012	Former directors and former employees	16/03/2013 to 15/03/2022	4.00	267,129	–	–	–	267,129	267,129
	14/05/2012	Former directors and former employees	14/05/2013 to 13/05/2022	3.80	292,968	–	–	–	292,968	292,968
				Total	678,625	–	–	–	678,625	678,625
			Weighted average exercise price (HK$)		3.91	–	–	–	3.91	

No option was granted or exercised under the 2002 Share Option Scheme during the years ended 31 December 2020 and 2019.

Notes to the Financial Statements

For the year ended 31 December 2020

27. SHARE OPTION SCHEME (continued)

2002 Share Option Scheme (continued)

118,528 (2019: Nil) options were lapsed under the 2002 Share Option Scheme upon expiry of the life of the options during the year ended 31 December 2020.

The weighted average remaining contractual life of the options outstanding under the 2002 Share Option Scheme as at 31 December 2020 was approximately 1.29 years (2019: 2.02 years).

No share-based compensation expense was recognised under the 2002 Share Option Scheme during the years ended 31 December 2020 and 2019.

The total number of share available for issue under the 2002 Share Option Scheme is 560,097 (2019: 678,625) representing approximately 0.102% (2019: 0.124%) of the Company's total number of issued shares at the date of this report.

2014 Share Option Scheme

The following table discloses movements in the outstanding option granted by the Company under the 2014 Share Option Scheme during the years ended 31 December 2020 and 2019:

					Number of share options					
Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (Notes)	Exercise price per share HK$	Balance as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2020	Options exercisable as at 31 December 2020
2020	15/05/2014	Former directors	(1)	3.20	2,734,200	–	–	–	2,734,200	2,734,200
	20/06/2014	Former directors	(2)	3.20	1,623,262	–	–	–	1,623,262	1,623,262
	01/04/2016	Director and former directors	(3)	4.94	8,450,000	–	–	–	8,450,000	8,450,000
	19/05/2017	Director and former directors	(5)	1.56	5,300,000	–	–	–	5,300,000	5,300,000
					18,107,462	–	–	–	18,107,462	18,107,462
	20/06/2014	Other eligible participants	(4)	3.20	1,770,138	–	–	(881,250)	888,888	888,888
	01/04/2016	Other eligible participants	(3)	4.94	1,820,800	–	–	–	1,820,800	1,820,800
	19/05/2017	Other eligible participants	(5)	1.56	11,809,600	–	–	–	11,809,600	11,809,600
					15,400,538	–	–	(881,250)	14,519,288	14,519,288
				Total	33,508,000	–	–	(881,250)	32,626,750	32,626,750
		Weighted average exercise price (HK$)			2.896	–	–	3.20	2.888	

Notes to the Financial Statements

For the year ended 31 December 2020

27. SHARE OPTION SCHEME (continued)

2014 Share Option Scheme (continued)

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (Notes)	Exercise price per share HK$	Balance as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 31 December 2019	Options exercisable as at 31 December 2019
					Number of share options					
2019	15/05/2014	Former directors	(1)	3.20	2,734,200	–	–	–	2,734,200	2,734,200
	20/06/2014	Directors and former directors	(2)	3.20	1,623,262	–	–	–	1,623,262	1,623,262
	01/04/2016	Directors and former directors	(3)	4.94	8,450,000	–	–	–	8,450,000	8,450,000
	19/05/2017	Directors and former directors	(5)	1.56	5,300,000	–	–	–	5,300,000	5,300,000
					18,107,462	–	–	–	18,107,462	18,107,462
	20/06/2014	Other eligible participants	(4)	3.20	1,770,138	–	–	–	1,770,138	1,770,138
	01/04/2016	Other eligible participants	(3)	4.94	1,820,800	–	–	–	1,820,800	1,820,800
	19/05/2017	Other eligible participants	(5)	1.56	11,809,600	–	–	–	11,809,600	11,809,600
					15,400,538	–	–	–	15,400,538	15,400,538
				Total	33,508,000	–	–	–	33,508,000	33,508,000
				Weighted average exercise price (HK$)	2.896	–	–	–	2.896	

Notes:

(1) Exercisable from 15 May 2014 to 14 May 2024.

(2) Exercisable from 20 June 2014 to 19 June 2024.

(3) Divided into two tranches exercisable from 1 October 2016 and 1 April 2017, respectively to 31 March 2026.

(4) Divided into two tranches exercisable from 20 June 2014 and 20 June 2015, respectively to 19 June 2024.

(5) Exercisable from 19 May 2017 to 18 May 2027.

No option was exercised under the 2014 Share Option Scheme during the years ended 31 December 2020 and 2019.

During the years ended 31 December 2020 and 2019, no options were lapsed upon resignation of other eligible participants.

881,250 (2019: Nil) options were cancelled under the 2014 Share Option Scheme during the year ended 31 December 2020.

Notes to the Financial Statements

For the year ended 31 December 2020

27. SHARE OPTION SCHEME (continued)

2014 Share Option Scheme (continued)

The weighted average remaining contractual life of the options outstanding under the 2014 Share Option Scheme as at 31 December 2020 was approximately 5.55 years (2019: 6.50 years).

No options were granted under the 2014 Share Option Scheme during the years ended 31 December 2020 and 2019.

No share-based compensation expense was recognised under the 2014 Share Option Scheme in the consolidated statement of profit or loss for the years ended 31 December 2020 and 2019.

The total number of share available for issue under the 2014 Share Option Scheme is 32,626,750 (2019: 33,508,000) representing approximately 5.93% (2019: 6.15%) of the Company's total number of issued shares at the date of this report.

28. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these financial statements, details of other significant transactions between the Group and other related parties during the years ended 31 December 2020 and 2019 are as follows:

(a) Key management compensation

During the years ended 31 December 2020 and 2019, key management compensation is equivalent to the Directors' emoluments as disclosed in Note 10(a).

Notes to the Financial Statements

For the year ended 31 December 2020

28. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

	Notes	**2020** **HK$'000**	2019 HK$'000
License fee income from a related company, HMV Kafe Limited	(i)	**351**	468
License fee income from an associate	(ii)	**936**	546
Interest income on loans to an associate	(iii)	**1,223**	713
Interest income on a loan to a shareholder of an investee	(ii)	**3,460**	–

Notes:

(i) Ms. Li Mau, spouse of Mr. Wu King Shiu, Kelvin, a director and the Chairman of the Company, is also a director of HMV Kafe Limited of which Ms. Li Mau was a member of key management personnel. The charges by the related company were in accordance with the terms of the underlying agreements.

(ii) The amounts were charged based on terms mutually agreed between the relevant parties.

(iii) The amount were charged at 5% to 10% per annum based on terms of the loan agreement.

Notes to the Financial Statements

For the year ended 31 December 2020

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

(a) Reconciliation of loss before taxation to cash used in operations

	Notes	**2020 HK$'000**	2019 HK$'000
Cash flows from operating activities			
Loss before income tax		**(205,830)**	(152,031)
Adjustments for:			
Depreciation of property, plant and equipment	14	**1,367**	2,612
Depreciation of right-of-use assets	15(a)	**2,770**	3,147
Amortisation of intangible assets	16	**1,997**	10,614
Impairment losses on goodwill	16	**–**	7,580
Impairment losses on trade receivables	18(a)	**2,645**	1,278
Impairment losses on other receivables	18(b)	**3,294**	7,896
Impairment losses on interest in an associate	17	**839**	–
Impairment losses on loans to an associate	17(c)	**29,589**	30,504
Reversal of impairment losses on other receivables	18(b)	**(873)**	–
Written off of trade receivables	9	**1,544**	–
Written off of trade payables	7	**(1,568)**	–
Profit on disposal of property, plant and equipment	14	**(1)**	–
Fair value losses on financial assets at fair value through profit or loss, net	19	**142,032**	27,120
Interest income	7	**(8,731)**	(6,045)
Finance costs	11	**18,587**	16,344
Consultancy service settled by remuneration share		**2,261**	4,576
(Gains)/losses on disposal of subsidiaries	31	**(2,505)**	5,226
Share of losses of an associate, net of tax	17	**619**	6,287
Foreign exchange gains, net	8	**(101)**	(1,378)
Operating loss before working capital changes		**(12,065)**	(36,270)
Increase in loans to an associate		**(935)**	–
Decrease in contract assets		**1,319**	3,206
Increase in trade and other receivables		**(6,094)**	(3,280)
Decrease in contract liabilities		**–**	(2,132)
Increase in trade and other payables		**8,301**	336
Cash used in operations		**(9,474)**	(38,140)

Notes to the Financial Statements

For the year ended 31 December 2020

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	2020	2019
	HK$'000	HK$'000
Convertible bonds (Note 23)		
As at 1 January	**197,095**	181,825
Interest expense	**17,900**	15,270
As at 31 December	**214,995**	197,095
Lease liabilities (Note 15(b))		
As at 1 January	**10,243**	15,679
Cash flows	**(2,991)**	(3,123)
Disposal of subsidiaries	**–**	(2,313)
As at 31 December	**7,252**	10,243

Notes to the Financial Statements

For the year ended 31 December 2020

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, the Group had the following major non-cash transaction:

On 28 May 2020, 4,875,000 new ordinary shares were issued at an issue price of HK$1.60 per share as the compensation for the consultancy service as detailed in Note 25(a). As fair value of the Company's ordinary shares at the date of grant was HK$1.22, share capital of the Company was increased by approximately HK$76,000 and share premium accounts of the Company was increased by approximately HK$5,872,000.

During the year ended 31 December 2019, the Group had the following major non-cash transaction:

On 28 May 2019, 4,875,000 new ordinary shares were issued at an issue price of HK$1.6 per share as the compensation for the consultancy service as detailed in Note 25(a). As fair value of the Company's ordinary shares at the date of grant was HK$1.22, share capital of the Company was increased by approximately HK$76,000 and share premium accounts of the Company was increased by approximately HK$5,872,000.

31. DISPOSAL OF SUBSIDIARIES/DEEMED DISPOSAL OF A SUBSIDIARY

(a) Disposal of GeneSort (together with its subsidiaries, "GeneSort Group")

On 27 May 2019, the Group disposed approximately 6% of its shareholding in GeneSort Group for a cash consideration of US$740,000 (equivalent to approximately HK$5,802,000). On 31 May 2019, GeneSort Group allotted and issued shares to a subscriber which is an independent third party to the Group, and by an agreement with the subscriber, the Group further disposed approximately 17.6% (diluted basis) shareholding in GeneSort Group to the subscriber for a consideration of HK$2,486,000, which was satisfied by equity interest in a listed entity. Upon completion on 31 May 2019, GeneSort Group had ceased to be a subsidiary of the Group. Thereafter, the investment in GeneSort Group was reclassified as interest in an associate.

The assets and liabilities of GeneSort Group were deconsolidated from the Group's consolidated statement of financial position and the interest in GeneSort Group has been accounted for as an associate using equity method. The fair value of the retained interest in GeneSort Group at the date of reclassification is regarded as the cost on initial recognition of the investment in GeneSort Group as an associate.

Notes to the Financial Statements

For the year ended 31 December 2020

31. DISPOSAL OF SUBSIDIARIES/DEEMED DISPOSAL OF A SUBSIDIARY (continued)

(a) Disposal of GeneSort (together with its subsidiaries, "GeneSort Group") (continued)

	2019 HK$'000
Net assets of subsidiaries disposed of:	
Property, plant and equipment (Note 14)	5,417
Right-of-use assets	2,110
Intangible assets (Note 16)	83,085
Trade and other receivables	1,287
Cash and cash equivalents	1,353
Trade and other payables	(8,441)
Lease liabilities	(2,313)
Loan from a shareholder	(56,619)
Borrowings	(1,037)
Deferred tax liabilities (Note 24)	(7,767)
	17,075
Provisional fair value of interest retained (Note 17)	8,420
Non-controlling interests	(4,859)
Total consideration	8,288
Loss on disposal of subsidiaries	(5,226)
Consideration satisfied by:	
Cash	5,802
Financial assets at fair value through profit or loss (Note 19(ii))	2,486
	8,288
Net cash inflow arising on disposal:	
Cash consideration received	5,802
Cash and bank balances disposed of	(1,353)
	4,449

Notes to the Financial Statements

For the year ended 31 December 2020

31. DISPOSAL OF SUBSIDIARIES/DEEMED DISPOSAL OF A SUBSIDIARY (continued)

(b) Disposal of AID Partners Autonomous GP Ltd (the "General Partner")

On 26 May 2020, New Earn Investments Limited (the "Vendor"), a wholly-owned subsidiary of the Company, and Vantage Elite Holdings Limited (the "Purchaser") entered into the sale and purchase agreement (the "Disposal Agreement"), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has agreed to purchase the entire share capital of the General Partner at a cash consideration of US$270,000 (equivalent to approximately HK$2,106,000).

On 10 July 2020, the shareholders of the Company passed an ordinary resolution at the extraordinary general meeting to approve the Agreement. Upon completion of the Agreement on 13 July 2020, the Company has ceased to have any equity interest in the General Partner. As a result, the Group would cease to have management and investment control over the Partnership through the General Partner. Therefore, the Partnership and its subsidiaries would also cease to be accounted for as subsidiaries of the Company notwithstanding that the Group would still retain its capital contribution to the Partnership.

	2020 HK$'000
Net assets of the General Partner disposed of:	
Trade and other receivables	38
Cash and cash equivalents	80
Trade and other payables	(104)
	14
Total consideration	2,106
Gain on disposal of the General Partner	2,092
Consideration satisfied by:	
Cash	2,106
Analysis of net cash flow on disposal:	
Cash consideration received	2,106
Cash and cash equivalents disposed of	(80)
Net cash inflow from disposal of the General Partner	2,026

Notes to the Financial Statements

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31. DISPOSAL OF SUBSIDIARIES/DEEMED DISPOSAL OF A SUBSIDIARY (continued)

(c) Deemed disposal of AID Partners Autonomous, LP and its subsidiaries (the "Partnership")

With completion of disposal of AID Partners Autonomous GP Ltd (the "General Partner"), the Group lost control but retained the same level of equity interest in the Partnership. Therefore, the Group ceased to consolidate the Partnership and its subsidiaries. The disposal of the General Partner did not result in a reduction of the percentage equity interest of the Group in the Partnership. Subsequent to the disposal, the Group accounted the Partnership as financial assets at fair value through profit or loss (Note 19).

	HK$'000
Net assets of the Partnership disposed of:	
Financial assets at fair value through profit or loss	309,333
Cash and cash equivalents	9
	309,342
Non-controlling interest	54,674
Total deemed consideration (Note 19)	254,588
Deemed loss on disposal of the Partnership	(80)
Analysis of net cash flow on deemed disposal:	
Cash and cash equivalents disposed of	(9)
Net cash outflow from deemed disposal of the Partnership	(9)

Notes to the Financial Statements

For the year ended 31 December 2020

31. DISPOSAL OF SUBSIDIARIES/DEEMED DISPOSAL OF A SUBSIDIARY (continued)

(d) Disposal of Most Happy Investments Limited

On 14 July 2020, the Group disposed of its entire equity interest in Most Happy Investments Limited to an independent third party at a cash consideration of HK$10,000.

	2020 HK$'000
Net assets of subsidiary disposed of:	
Cash and cash equivalents	26
Trade and other payables	(15)
	11
Total consideration	10
Loss on disposal of subsidiary	(1)
Consideration satisfied by:	
Cash	10
Analysis of net cash flow on disposal:	
Cash consideration received	10
Cash and cash equivalents disposed of	(26)
Net cash outflow from disposal of subsidiary	(16)

Notes to the Financial Statements

For the year ended 31 December 2020

31. DISPOSAL OF SUBSIDIARIES/DEEMED DISPOSAL OF A SUBSIDIARY (continued)

(e) Disposal of Captain Win Limited ("Captain Win")

On 24 November 2020, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Group has agreed to sell and the Purchaser has agreed to purchase the entire share capital of Captain Win, a wholly-owned subsidiary of the Group, at a cash consideration of HK$100,000.

	2020 HK$'000
Net assets of subsidiary disposed of:	
Property, plant and equipment (Note 14)	9,707
Trade and other receivables	490
Cash and cash equivalents	435
Trade and other payables	(11,026)
	(394)
Total consideration	100
Gain on disposal of subsidiary	494
Consideration satisfied by:	
Cash	100
Analysis of net cash flow on disposal:	
Cash consideration received	100
Cash and cash equivalents disposed of	(435)
Net cash outflow from disposal of subsidiary	(335)

Notes to the Financial Statements

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32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2020 and 2019 are as follows:

Name	Place/Country of incorporation/ establishment	Principal place of operation	Issued share capital	Percentage of attributable interest held by the Group 2020	2019	Principal activities
Action Key Investments Limited	Samoa	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Ever Source Developments Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Honour Best Holdings Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Silver Alpine Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
8088 Management Limited	Hong Kong	Hong Kong	ordinary HK$1	**100%**	100%	Provision of corporate services
Complete Star (HK) Limited	Hong Kong	Hong Kong	ordinary HK$10,000	**70%**	70%	Development and operation of mobile games
Valliant Investments Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Honestway Global Group Limited	British Virgin Islands	N/A	100 ordinary shares at US$1 each	**100%**	100%	Investment holding
深圳八零八八科技有限公司	The PRC	Shenzhen, the PRC	Registered and paid up HK$12,633,000	**100%**	100%	Investment holding
上海威搜游科技有限公司*	The PRC	Shenzhen, the PRC	Registered and paid up RMB10,000,000	**100%**	100%	Provision of mobile games business in PRC
AID Partners Autonomous, LP#	Cayman Islands	N/A	N/A	**–**	82.3%	Investment holding
Green Admiral Limited#	British Virgin Islands	N/A	1 ordinary share at US$1 each	**–**	82.3%	Investment holding

All of the above principal subsidiaries are limited liability companies and are indirectly held by the Company except for Ever Source Development Limited, Silver Alpine Limited and Honour Best Holdings Limited.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

* 上海威搜游科技有限公司 is accounted for as subsidiary through certain Contractual Arrangements (Note 4(ii)).

These companies ceased to be the subsidiaries of the Company as a result of disposed of AID Partners Autonomous GP Ltd (Note 31(b)).

Notes to the Financial Statements

For the year ended 31 December 2020

33. NON-CONTROLLING INTERESTS

As at 31 December 2020 and 2019, the Group's material non-controlling interests ("NCI") are as follows:

(a) Complete Star Limited ("CSL") is a 70% indirectly owned subsidiary of the Company. Summarised financial information in relation to the post-acquisition NCI of CSL, before inter-group eliminations, is presented below:

	2020 **HK$'000**	2019 HK$'000
For the year ended 31 December		
Revenue	**1,590**	2,846
Loss and total comprehensive income for the year, before amortisation and impairment (net of tax)	**(42)**	(2,090)
Loss and total comprehensive income for the year, after amortisation and impairment (net of tax)	**(42)**	(2,090)
Loss allocated to NCI	**(13)**	(627)
Dividend paid to NCI	**–**	–
For the year ended 31 December		
Net cash inflow/(outflow) from operating activities	**34**	(14)
Net cash flow from investing activities	**–**	–
Net cash flow from financing activities	**–**	–
Net cash inflow/(outflow)	**34**	(14)
As at 31 December		
Current assets	**2,291**	2,329
Non-current assets	**–**	–
Current liabilities	**(67)**	(63)
Non-current liabilities	**–**	–
Net assets	**2,224**	2,266
Accumulated non-controlling interests	**667**	680

Notes to the Financial Statements

For the year ended 31 December 2020

33. NON-CONTROLLING INTERESTS (continued)

(b) AID Partners Autonomous, LP ("AIDPALP") is a 82.3% indirectly owned subsidiary of the Company. AIDPALP ceased to be a subsidiary of the Company as a result of disposal of AID Partners Autonomous GP Ltd (Note 31(b)). Summarised financial information in relation to NCI of AIDPALP, before inter-group elimination, is presented below:

	2019 HK$'000
For the year ended 31 December	
Revenue	–
Profit and total comprehensive income for the year before amortisation (net of tax)	47
Profit and total comprehensive income for the year after amortisation (net of tax)	47
Profit allocated to NCI	8
Dividend paid to NCI	–
For the year ended 31 December	
Net cash outflow from operating activities	(3)
Net cash flow from investing activities	–
Net cash flow from financing activities	–
Net cash outflow	(3)
As at 31 December	
Current assets	309,333
Non-current assets	–
Current liabilities	–
Non-current liabilities	–
Net assets	309,333
Accumulated non-controlling interests	54,674

Notes to the Financial Statements

For the year ended 31 December 2020

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	**236,320**	229,743
Current assets		
Other receivables	**442**	342
Financial assets at fair value through profit or loss	**–**	8,355
Cash and cash equivalents	**240**	3,103
	682	11,800
Current liabilities		
Other payables	**1,457**	585
Convertible bonds	**214,995**	197,095
	216,452	197,680
Net current liabilities	**(215,770)**	(185,880)
Total assets less current liabilities	**20,550**	43,863
Net assets	**20,550**	43,863
EQUITY		
Share capital (Note 25)	**8,580**	8,504
Reserves (Note 35)	**11,970**	35,359
Total equity	**20,550**	43,863

Chan Suet Ngan
Director

Hu Kenneth
Director

Notes to the Financial Statements

For the year ended 31 December 2020

35. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share premium HK$'000	Capital reduction reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve HK$'000	Remuneration share reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2019	762,257	702,955	1,921	2,112	601	57,159	10,400	(1,167,850)	369,555
Loss and total comprehensive loss for the year	–	–	–	–	–	–	–	(338,696)	(338,696)
Remuneration shares issued for consultancy service (Note 25(a))	5,872	–	–	–	–	–	(1,372)	–	4,500
As at 31 December 2019 and 1 January 2020	**768,129**	**702,955**	**1,921**	**2,112**	**601**	**57,159**	**9,028**	**(1,506,546)**	**35,359**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,574)**	**(25,574)**
Remuneration shares issued for consultancy service (Note 25(a))	**5,872**	**–**	**–**	**–**	**–**	**–**	**(3,687)**	**–**	**2,185**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**(271)**	**–**	**271**	**–**
Cancellation of share options	**–**	**–**	**–**	**–**	**–**	**(2,310)**	**–**	**2,310**	**–**
As at 31 December 2020	**774,001**	**702,955**	**1,921**	**2,112**	**601**	**54,578**	**5,341**	**(1,529,539)**	**11,970**

36. SUBSEQUENT EVENTS

Other than those disclosed elsewhere in these financial statements, details of subsequent event during the year ended 31 December 2020 are as follows:

(a) Proposed Change of Company Name

On 11 February 2021, the Company announced that the proposal to change (the "Proposed Change of Company Name") the English name of the Company from "AID Life Science Holdings Limited" to "8088 Investment Holdings Limited" and adopt the Chinese name of "八零八八投資控股有限公司" in place of existing Chinese name "滙友生命科學控股有限公司" which has been used for identification purposes only. The Proposed Change of Company Name is subject to (a) the passing of a special resolution by the shareholders of the Company at the extraordinary general meeting approving the Proposed Change of Company Name; and (b) the Registrar of Companies in the Cayman Islands approving the Proposed Change of Company Name.

At the extraordinary general meeting on Friday, 26 March 2021, the Proposed Change of Company Name has been duly approved by the shareholders by way of poll.

Notes to the Financial Statements

For the year ended 31 December 2020

36. SUBSEQUENT EVENTS (continued)

(b) Decision of the Stock Exchange on Rule 17.26 of GEM Listing Rules

On 12 March 2021, the Company received a letter from the Stock Exchange (the "Letter") notifying the Company of its decision that the Company has failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares and that trading in the Company's shares will be suspended on 24 March 2021 under Rule 9.04(3) of the GEM Listing Rules (the "Decision").

Pursuant to the Letter, the Company must re-comply with Rule 17.26 of the GEM Listing Rules, fulfill any resumption guidance that may be set by the Stock Exchange and be in full compliance with the GEM Listing Rules to the Stock Exchange's satisfaction before the trading of the Company's shares is allowed to resume. Under Rule 9.14A(1) of the GEM Listing Rules, the Stock Exchange may cancel the listing of the Company's shares if trading remains suspended for a continuous period of 12 months.

On 19 March 2021, the Company has submitted a written request to the GEM Listing Committee of the Stock Exchange to request for a review of the Decision.

The Company will make further announcements as and when appropriate and in accordance with the requirements of the GEM Listing Rules.

37. IMPACT OF OUTBREAK OF CORONAVIRUS DISEASE 2019

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, it had resulted in suspension of work in certain regions in the PRC. The epidemic has continued to spread and impacted global business and economic activities. A series of precautionary and control measures have been and continued to be implemented across the country/region. 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. The impact to the individual investment, if any, are set forth in the "Management Discussion and Analysis - Business Review" section.

Appendix I

FIVE-YEAR FINANCIAL SUMMARY

The financial information relating to the year ended 31 December 2020 included in this five year summary does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

	For the years ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial results					
(Loss)/profit attributable to owners of the Company	**(205,593)**	(141,458)	(765,260)	(420,333)	504,551

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**263,070**	508,647	649,233	1,399,348	1,734,875
Total liabilities	**(228,032)**	(215,785)	(213,643)	(207,692)	(218,958)
Total equity	**35,038**	292,862	435,590	1,191,656	1,515,917

Appendix II

CORPORATE INFORMATION

Board of Directors

Executive Directors:
Chan Suet Ngan
Hu Kenneth

Independent Non-Executive Directors:
Yuen Kwok On
Yau Chung Hang
Ip Wing Wai

Audit Committee

Yuen Kwok On *(Chairman)*
Yau Chung Hang
Ip Wing Wai

Remuneration Committee

Yuen Kwok On *(Chairman)*
Hu Kenneth
Ip Wing Wai

Nomination Committee

Chan Suet Ngan *(Chairman)*
Yuen Kwok On
Ip Wing Wai

Company Secretary

Chan Suet Ngan

Compliance Officer

Hu Kenneth

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited

Auditor

Linksfield CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
Unit 1503, 15th Floor,
Podium Plaza, 5 Hanoi Road,
Tsim Sha Tsui, Kowloon

Solicitors

Michael Li & Co.

Registered Office

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

GEM 8088